



**The Vistria Group, LP**

300 E. Randolph Street, Suite 3850  
Chicago, Illinois 60601  
312.626.1100  
[www.vistria.com](http://www.vistria.com)

March 31, 2022

**Part 2A of Form ADV: Firm  
Brochure**

This brochure provides information about the qualifications and business practices of The Vistria Group, LP. If you have any questions about the contents of this brochure, please contact Jesse Ruiz, Chief Compliance Officer, at 312-626-1113. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about The Vistria Group, LP also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **TEM 2. Material Changes**

This Part 2A of Form ADV, dated March 31, 2022, serves as an update to The Vistria Group, LP's prior Part 2A of Form ADV, dated March 30, 2021. This Part 2A of Form ADV contains the following material changes:

- Change in CCO: Jesse Ruiz was appointed as CCO of The Vistria Group, LP
- Updates to clarify various sections of the brochure, including with respect to fees and expense disclosure, risk factors and conflicts of interest.

In addition, The Vistria Group, LP routinely makes updates throughout the brochure to improve and clarify the description of its business practices, compliance policies, and procedures, as well as to respond to evolving industry best practices.

## Table of Contents

ITEM 4. ADVISORY BUSINESS .....	2
ITEM 5. FEES AND COMPENSATION.....	2
ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	2
ITEM 7. TYPES OF CLIENTS .....	2
ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	2
ITEM 9. DISCIPLINARY INFORMATION .....	2
ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	2
ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN INVESTOR TRANSACTIONS AND PERSONAL TRADING .....	2
ITEM 12. BROKERAGE PRACTICES .....	2
ITEM 13. REVIEW OF ACCOUNTS.....	2
ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION.....	2
ITEM 15. CUSTODY .....	2
ITEM 16. INVESTMENT DISCRETION.....	2
ITEM 17. VOTING CLIENT SECURITIES.....	2
ITEM 18. FINANCIAL INFORMATION .....	2
ITEM 19. REQUIREMENTS FOR STATE-REGISTERED ADVISERS.....	2

#### **ITEM 4. ADVISORY BUSINESS**

For purposes of this brochure, the “Adviser” means The Vistria Group, LP, a Delaware limited partnership, together (where the context permits) with its affiliated general partners of the Funds (as defined below) and other affiliates that provide advisory services to and/or receive advisory fees from the Funds. Such affiliates may or may not be under common control with The Vistria Group, LP, but possess a substantial identity of personnel and/or equity owners with The Vistria Group, LP. These affiliates may be formed for tax, regulatory or other purposes in connection with the organization of the Funds, or may serve as general partners of the Funds.

The Adviser provides investment supervisory services to investment vehicles (the “Funds”) that are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”) and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”). The Adviser from time to time also establishes other investment vehicles as Funds for the purpose of purchasing one or more investments from another Fund (often where the selling Fund is approaching the end of its term) (“Continuation Vehicles”). For purposes of this brochure, “Funds” shall be deemed to include “Continuation Vehicles”.

The Funds make primarily long-term private equity and equity-related investments, as well as investments in debt instruments. In accordance with the Funds’ respective investment objectives, investments are generally made in companies doing business in the education, financial services and healthcare industries. The Adviser’s advisory services consist of investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of the Funds, managing and monitoring the performance of such investments and disposing of such investments. The Adviser may serve as the investment adviser or general partner to the Funds in order to provide such services.

The Adviser provides investment supervisory services to each Fund in accordance with the limited partnership agreement (or analogous organizational document) of such Fund or separate investment and advisory, investment management or portfolio management agreements (each, an “Advisory Agreement”).

Investment advice is provided directly to the Funds, subject to the discretion and control of the applicable general partner, and not individually to the investors in the Funds. Services are provided to the Funds in accordance with the Advisory Agreements with the Funds and/or organizational documents of the applicable Fund. Investment restrictions for the Funds, if any, are generally established in the organizational or offering documents of the applicable Fund, Advisory Agreements and/or side letter agreements negotiated with investors in the applicable Fund (such documents collectively, a Fund’s “Organizational Documents”).

The principal owners of The Vistria Group, LP are Harreld (“Kip”) N. Kirkpatrick III and Martin H. Nesbitt. The Adviser has been in business since 2013. As of December 31, 2021, the Adviser manages a total of \$6,735,968,405 of client assets, all of which is managed on a discretionary basis.

## ITEM 5. FEES AND COMPENSATION

The Adviser or its affiliates generally receive Advisory Fees and Carried Interest (each as defined below) or similar performance-based remuneration from a Fund. A Fund, and/or its portfolio companies may also make other payments to the Adviser or its affiliates for services provided to the portfolio companies, which, in certain circumstances, may reduce the Advisory Fees payable to the Adviser. Additionally, consistent with the Organizational Documents of a Fund, the Fund typically bears certain out-of-pocket expenses incurred by the Adviser in connection with the services provided to the Fund and/or the portfolio companies. Further details about certain common fees and expenses are set forth below.

### **Advisory Fees**

As compensation for investment supervisory services rendered to the Funds, the Adviser receives from each such Fund an advisory fee (each, an “Advisory Fee”) typically calculated based on committed capital, or remaining invested capital, with respect to such Fund. Advisory Fees may be reduced during the life of a Fund. The precise amount of, and the manner and calculation of, the Advisory Fees for each Fund are established by the Adviser and are set forth in such Fund’s Organizational Documents. The Advisory Fees and other fees and distributions described herein are generally subject to modification, waiver or reduction by the Adviser in its sole discretion, both voluntarily and on a negotiated basis with selected investors via side letter and other arrangements, which may not be disclosed to other investors in the same Fund. The fee structures described herein may be modified from time to time. Fees may differ from one Fund to another, as well as among investors in the same Fund.

The Advisory Fees paid by a Fund will generally be reduced by a percentage of (1) 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, (2) the fees incurred by the Adviser in connection with the organization of such Fund that exceed a limit specified in such Fund’s Organizational Documents and/or (3) certain Other Fees (as defined and described in more detail below under “*Other Fees*”) received by the Adviser or its affiliates. The amount and manner of such reduction, if any, is set forth in the Organizational Documents of the applicable Fund.

Certain investors in the Funds that are employees, business associates and other “friends and family” of the Adviser, its affiliates or their personnel (including any related entity established by any of the foregoing, such as trusts, charitable programs, endowments or related programs, family investment vehicles and other estate planning vehicles) (collectively, “Adviser Investors”) will not typically pay Advisory Fees or Carried Interest in connection with their investment in a Fund. Furthermore, the Adviser has in the past and may, from time to time in the future establish certain investment vehicles through which Adviser Investors or other third parties may invest alongside one or more Funds in one or more investment opportunities, which generally do not pay Advisory Fees or Carried Interest. Notwithstanding that Adviser Investors will generally not pay Advisory Fees, Adviser Investors will generally pay for their pro rata share of certain Fund expenses, or the pro rata portion of such Adviser Investors’ expenses will be allocated to the Adviser or the general partner of the applicable Fund.

In addition, the Adviser has in the past and may, from time to time, in the future establish certain investment vehicles through which Adviser Investors or other third parties may invest alongside one

or more Funds in one or more investment opportunities. Such co-investment vehicles generally do not pay Advisory Fees or Carried Interest.

The Adviser from time to time enters into economic and/or other fee-sharing arrangements with respect to one or more Funds and/or certain limited partners thereof, the rights of which will not generally be made available to other limited partners.

Advisory Fees are payable quarterly in advance. Advisory Fees are paid by the Fund from its available assets and from capital contributions made by limited partners, and such fees are deducted directly from each limited partner's capital account. Upon termination of an Advisory Agreement, Advisory Fees that have been prepaid are generally returned on a prorated basis.

### **Other Fees and Expense Reimbursement**

#### *Other Fees*

In addition to the Advisory Fees and Carried Interest, the Adviser and its affiliates receive a variety of other cash, equity and other non-cash fees relating to the investment activities of a Fund, its portfolio companies and prospective portfolio companies, including topping, break-up, monitoring, directors', transaction, organizational, set-up, financial advisory, investment banking, underwriting, syndication, and other similar fees in connection with the purchase, structuring, monitoring, or disposition (including mergers, add-on acquisitions, refinancings, public offerings, divestments and similar transactions) related to investments or from unconsummated transactions, including warrants, options, derivatives and other rights, in each case valued upon the earliest of (i) final disposition of the associated portfolio company, (ii) all Fund assets having been disposed or (iii) upon completion of the dissolution of the Fund ("Other Fees"). The amount and timing of Other Fees received by the Adviser or its affiliates are generally specified in the agreement or other documentation governing the applicable transaction.

As noted above, the Adviser and its affiliates receive "monitoring fees" pursuant to monitoring agreements with portfolio companies of the Funds governing the advice, consultation and other similar ongoing services provided by the Adviser to such portfolio companies. The terms of a monitoring agreement may include (among other things) annual automatic renewals, the payment of monitoring fees (which may be fixed fees or calculated as a percentage of EBIDTA or similar performance metric). There are certain circumstances (such as the occurrence of an initial public offering or strategic exit) which accelerate the payment of such fees. Since the monitoring agreements may have prolonged terms (often exceeding ten years and/or subject to automatic extensions and renewal), the financial effect of such acceleration may be substantial, particularly in the event such circumstances occur early in the life of the Fund's investment in such portfolio company. Notwithstanding the foregoing, in the event of an initial public offering or other disposition, monitoring fees will continue to be paid so long as the applicable Fund continues to hold an other than de minimis position in such portfolio company and the Adviser or its affiliates continue to provide the monitoring services.

For the avoidance of doubt, any fees, expenses, compensation or other amounts paid or reimbursed by a portfolio company to the Portfolio Resources Group, Operating Partners and/or Senior Advisors (in each case as defined below) are not deemed to be Other Fees and do not reduce any fees otherwise payable to the management company or its affiliates.

Other Fees are often substantial and may be paid in cash, in securities of the portfolio companies, prospective portfolio companies or investment vehicles (or rights thereto) or otherwise. The payment of Other Fees and reimbursements by portfolio companies and prospective portfolio companies will, in some, but not all, circumstances create a conflict of interest between the Adviser and its affiliates, and the Funds and their investors, because the amounts of these Other Fees and reimbursements are often substantial and the Funds and their investors generally do not have a direct interest in these fees and reimbursements. The Adviser determines the amount and timing of these Other Fees for the services provided and reimbursements in its own discretion, subject to agreements with sellers, buyers, and management teams, the board of directors of or lenders to portfolio companies, and/or third-party co-investors in its transactions, and the amount of such fees and reimbursements may not be disclosed to investors.

In many cases with respect to the implementation of the arrangements described above, there is not an independent third party involved on behalf of the relevant portfolio company and therefore the fees are not subject to a market check. A conflict of interest exists in the determination of any such fees and other related terms in the applicable agreement with the portfolio company by virtue of the Adviser acting on behalf of both parties.

For the avoidance of doubt, any fees paid to the Adviser or its personnel after a Fund has exited an investment are not considered “Other Fees” and do not reduce the Advisory Fee.

#### *Allocation of Other Fees and Advisory Fee Offset*

Although Other Fees are in addition to the Advisory Fees, the Adviser will in some circumstances reduce the amount of Advisory Fees paid by the applicable Fund in connection with the receipt of such Other Fees in accordance with the Advisory Agreement and/or Organizational Documents of the applicable Fund. Generally, under the terms of the applicable Organizational Documents, for purposes of calculating any Advisory Fee offset, Other Fees are net of out-of-pocket costs and expenses incurred by the Adviser in connection with consummated or unconsummated transactions or in connection with generating any such fees.

To the extent an Other Fee relates to more than one Fund participating (or expecting to participate) in an investment, the Other Fee is generally allocated among such Funds pro rata based on the capital commitments of such participating Funds (or for an unconsummated investment, the proposed commitments of the Funds), or on such other basis that the Adviser determines to be fair and reasonable in its sole discretion. However, in determining how to allocate an Other Fee among more than one participating Fund, the Adviser will also consider, among other things, the type of transaction (e.g., original acquisition or follow-on), the consideration involved in the transaction (cash or in-kind) and the value of the consideration.

To the extent an Other Fee relates to a Fund, co-investment vehicle or third-party investor that does not pay Advisory Fees or to capital committed by a Fund investor that does not pay Advisory Fees, the portion of such Other Fee allocable to the non-fee paying party or investor will be retained by the Adviser, and such amounts will not offset any Advisory Fee paid to the Adviser.

#### *Portfolio Company Expense Reimbursements*

A portfolio company will typically reimburse the Adviser for expenses, including without limitation, travel and travel-related expenses, meals and entertainment expenses (including, as applicable, closing

dinners and mementos, cars and meals, social and entertainment events with portfolio company management, customers, clients, borrowers, brokers and service providers), expenses relating to training programs, meetings or other events (to the extent such programs, meetings or events are attended by portfolio company personnel), expenses relating to hiring portfolio company personnel (including background checks, recruiting and relocation expenses), indemnification expenses, certain legal expenses (including legal costs associated with reviewing financing documents and agreements, whether on behalf of a portfolio company borrower or a lender) and similar out-of-pocket expenses, as well as consulting fees and other cash and non-cash compensation and expenses, incurred by the Adviser in connection with its performance of services for such portfolio company. Such reimbursed expenses are generally not included in the definition of “Other Fees” under the terms of the applicable Organizational Documents, and such reimbursements do not reduce the Advisory Fee. Because certain expenses are paid for by a Fund and/or its portfolio companies or, if incurred by the Adviser, are reimbursed by a Fund and/or its portfolio companies, the Adviser may not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses, which could result in lower returns to investors. As used throughout this brochure, “travel and travel-related” includes all travel expenses for the use of private aircraft, first class or business class travel, black car ground transportation, accommodations, meals, events and entertainment.

## **Expenses**

### *Adviser Expenses*

To the extent provided in the Organizational Documents of the Funds and except as described below as a “Fund Expense,” the Adviser will bear all ordinary administrative and overhead expenses incurred in connection with maintaining and operating its office(s), including employees’ salaries (other than Carried Interest described in Item 6 below), rent, utilities, office supplies, office equipment and similar expenses.

### *Fund Expenses*

Consistent with the Organizational Documents of the Funds, each Fund will bear all other expenses relating to it to the extent not borne by its portfolio companies, including (i) expenses incurred in connection with the organization and startup of the Fund, including legal, reasonable travel, accounting, filing, printing, capital raising and other organizational expenses, but in any event excluding any licensing or registration fees or expenses of the Adviser or its affiliate which are unrelated to the Fund’s or its operations, including, without limitation, expenses incurred in connection with the registration or continued licensing of the Adviser as an investment adviser with the SEC, (ii) the Advisory Fee, (iii) maintaining the existence of the Fund, (iv) fees, costs and expenses of any administrators, custodians, consultants, advisors, legal counsel, accountants (including the audit and certification fees and the costs of printing and distributing reports to partners of the Fund), auditors, investment bankers, advisors, operating partners, consultants, valuation agents and other outside professionals, (v) the sourcing, investigation, identification, analysis, pursuit, negotiation, purchase, monitoring, holding and sale of any actual or potential investments, regardless of whether such investments are subsequently consummated, fees, costs and expenses of any administrators, custodians, consultants, advisors, legal counsel, accountants (including the audit and certification fees and the costs of printing and distributing reports to partners in the Fund), auditors, investment bankers, advisors, operating partners, consultants, valuation agents and other outside professionals, (vi) brokerage commissions and other brokerage expenses, sale and depository expenses, finders, transfer,



registration, custodial expense, other bank service fees and other investment costs, fees and expenses, (vii) financing, commitment, origination and similar fees and expenses, interest, fees, bridge financing expenses and any other obligation or expense arise out of any borrowing or other indebtedness, (viii) meetings of partners and of the advisory committee, (ix) prosecuting any legal action for or on behalf of, or defending any legal action against, the Fund or its affiliates, the general partner of the applicable Fund in its role as general partner to the Fund or any affiliate entities, or portfolio companies, (x) cost of any insurance, (xi) indemnification or extraordinary expense or liability relating to the affairs of the Fund, (xii) fees or compensation for services provided by the Portfolio Resources Group (as defined below) or any member thereof (including any consulting and retainer fees paid to the Portfolio Resources Group or any member thereof), (xiii) taxes, fees or other governmental charges levied against the Fund or on its income or assets in connection with its business or operations and all expenses incurred in connection with any tax audit, investigation, settlement or review of the Fund, (xiv) winding-up and liquidating the fund, (xv) any organization and operation of any alternative investment vehicle, parallel fund or feeder fund, (xvi) administration (including maintaining the books and records of the Fund, and related internal costs that the Adviser or its affiliates may incur to produce such books and records or external costs for a third-party administrator to maintain and oversee the Fund's books and records), (xvii) research and other information, third party diligence software and service providers, subject and industry-matter experts, information technology system expenses, (xviii) attending trade association meetings, conferences or similar meetings in connection with the evaluation of investment opportunities or business sector opportunities, (xix) risk management assessment expenses and expenses associated with the Fund's compliance with applicable laws and regulations, and expenses incurred in connection with complying with provisions in side letters with investors, (xx) preparation and filing of Form PF, regulatory filings of the Adviser and its affiliates relating to the Fund and its activities, other reports to be filed with the U.S. Commodity Futures Trading Commission and reports, disclosures, filings and notifications prepared in accordance with the Alternative Investment Fund Managers Directive), (xxi) expenses associated with the preparation of the Fund's financial statements, tax returns and Schedule K-1s and (xxii) in connection with the Organizational Documents of such Fund.

From time to time, the general partner of a Fund creates certain "special purpose vehicles" or similar structuring vehicles for purposes of accommodating certain tax, legal and regulatory considerations of investors ("SPVs"). In the event the general partner creates an SPV, consistent with the Organizational Documents of the Fund, the expenses related to its organization and formation and other expenses incurred solely for the benefit of the SPV will typically be borne by the Fund, and indirectly the investors thereof (even if such investors do not participate in any such SPV.) In addition, expenses of the types borne by a Fund but associated with any feeder fund or similar vehicle organized to facilitate the participation of certain investors in the Fund (including, without limitation, expenses of accounting and tax services) may be borne by the Fund and indirectly, the investors thereof (even if such investors do not participate in any such feeder fund or similar vehicle).

#### *Co-Investment Vehicle Fees and Expenses*

In certain cases, a co-investment vehicle, or other similar vehicle established to facilitate the investment by investors to invest alongside the Fund may be formed in connection with the consummation of a transaction. Consistent with the Organizational Documents of a Fund, in the event a co-investment vehicle is created to invest alongside a Fund, certain expenses (including those related to its organization and formation and other expenses incurred solely for the benefit of the co-investment vehicle, as well as expenses incurred in connection with making and holding an

investment) are generally borne by the investors in such co-investment vehicle. In addition, a co-investment vehicle will also generally bear its pro rata portion of expenses incurred in connection with the making of an investment.

If a proposed transaction is not consummated, no such co-investment vehicle generally will have been formed, and the full amount of any expenses relating to such proposed but not consummated transaction (“Dead Deal Costs”) would therefore be borne by the Fund or Funds selected by the Adviser as proposed investors for such proposed transaction. Furthermore, if a proposed transaction is not consummated and a co-investment vehicle has been formed for the purpose of making an investment in such proposed transaction (or co-investors have otherwise committed to invest in the proposed transactions), the Dead Deal Costs incurred in connection with such proposed transactions are generally borne solely by the Fund or Funds selected by the Adviser as proposed investors for such proposed transaction, but not to the co-investment vehicle or other co-investor(s) to which the co-investment opportunity was offered. Similarly, co-investment vehicles (and co-investors) are not typically allocated any share of break-up fees received in connection with such an unconsummated transaction. Dead Deal Costs may include, among other things, legal, accounting advisory, consulting or other third-party expenses (including amounts payable to Operations Support Providers (as defined in Item 11 below), the Portfolio Resource Group and other third parties), any travel and travel-related expenses, all fees, costs and expenses of lenders, investment banks and other financing sources in connection with arranging financing for a proposed investment (including commitment fees), any break-up fees, reverse termination fees, topping, termination or other similar fees, extraordinary expenses such as litigation costs and judgments and other expenses, and any deposits or down payments of cash or other property which are forfeited in connection with a proposed investment that is not consummated.

In addition, the Adviser and its affiliates have discretion to (i) receive performance-based compensation, Advisory Fees or similar fees from co-investors and (ii) collect customary fees in connection with actual or contemplated investments that are the subject to co-investment arrangements.

#### *Allocation of Expenses*

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

allocated to a Fund for a particular service may not reflect the relative benefit derived by such Fund from that service in any particular instance and a Fund will bear more or less of a particular expense based on the methodology used.

### **Carried Interest Payments**

Please see Item 6 below regarding Carried Interest that Funds may pay.

### **Brokerage Fees**

Although the Adviser does not generally utilize the services of broker-dealers to effect portfolio transactions for the Funds, in the event that it chooses to use a broker-dealer for limited purposes relating to a particular Fund such Fund will incur brokerage and other transaction costs. For additional information regarding brokerage practices, please see Item 12 below.

## **ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

With respect to certain Funds a portion of the profits of each such Fund is distributed to its general partner, if any, as “carried interest” (the “Carried Interest”). Each general partner of a Fund is a related person of the Adviser. Carried Interest paid by a Fund is indirectly borne by investors in such Fund. Certain Funds and investors in such Funds (including Adviser Investors) may incur lower or no Carried Interest.

The payment by some, but not all, Funds of Carried Interest or the payment of Carried Interest at varying rates (including varying effective rates based on the past performance of a Fund) creates an incentive for the Adviser to disproportionately allocate time, services or functions to Funds paying Carried Interest or Funds paying Carried Interest at a higher rate.

See also Item 11 below regarding allocation for additional information relating to how the Adviser generally addresses conflicts of interests.

## **ITEM 7. TYPES OF CLIENTS**

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

Interests in the Funds are offered pursuant to applicable exemptions from registration under the Securities Act and the 1940 Act. Investors in the Funds are generally “qualified purchasers” or “knowledgeable employees,” each as defined in the 1940 Act, and may include, among others, high net worth individuals, banks, thrift institutions, pension and profit-sharing plans, trusts, estates, charitable organizations, university endowments, corporations, limited partnerships and limited liability companies or other entities.

The Adviser does not have a minimum size for a Fund, but minimum investment commitments may be established for investors in the Funds. The general partner of each Fund may in its sole discretion permit investments below the minimum amounts set forth in the Organizational Documents of such Fund.

## **ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF**

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

The Funds will seek long-term capital appreciation by making privately-negotiated equity, equity-related and credit investments in middle market companies, primarily based in the United States, operating in the education, financial services, or healthcare industries (collectively, the “Targeted Industries”). “Top-down” industry analysis is conducted in which sub-segments for investment focus are selected by detailed examination of each Targeted Industry. The Adviser utilizes the extensive industry expertise of its supervised persons and their relationships with key persons in the targeted industries to evaluate and investigate the fundamentals of investment prospects.

The Adviser’s approach to portfolio monitoring and development requires a close working relationship with senior management of portfolio companies of the Fund, a clear blueprint for such portfolio companies’ growth and, frequently, an incentive plan to ensure the organization’s commitment to success. Working together with portfolio company management, the Adviser expects to create value through reviewing capital investments, redirecting capital spending and operating priorities as necessary, optimizing asset portfolios through acquisitions and divestitures, adopting cost management efforts, adding appropriate personnel, or completing value-creating acquisitions.

The Adviser’s investment process includes the following four stages: (i) Deal Generation; (ii) Disciplined Valuation and Due Diligence; (iii) Post-Investment Value Addition; and (iv) Identification and Execution of an Exit. During each stage of the investment cycle, an investment will be managed by at least two Adviser supervised persons.

### **Risk of Loss**

The Adviser does not guarantee the future performance of a Fund or any other future client, or any specific level of performance, the success of any investment decision or strategy that the Firm may use, or the success of the Adviser’s overall management of the Funds. Potential investors should understand that investment decisions made for the Funds by the Adviser are subject to various market, currency, economic, political and business risks, and that those investment decisions will not always be profitable. Investors are reminded that investing in any security, such as the securities of a Fund, entails risk of loss which they should be willing to bear.

The Funds will engage in transactions that involve substantial risks and are suitable only for those investors who have the financial sophistication and expertise to understand and accept such risks, and the financial ability to bear the related risk of loss. The following explanation of certain risks is not exhaustive, but rather highlights the significant risks involved in our investment strategies. Additional risks specific to a Fund are set forth in its offering materials, which are provided to each investor prior to investing in the Fund.

**General Debt Risks.** The Funds will invest in various types of debt securities and debt-related instruments. Such securities and instruments may be unrated, and whether or not rated, may have speculative characteristics. In the absence of appropriate hedging measures, changes in interest rates generally will cause the value of debt investments held by the Funds to vary inversely to such changes.

Investments in debt securities and instruments with longer terms to maturity or duration are subject to greater volatility than investments in shorter-term obligations.

The obligor of a debt security or instrument may not be able or willing to pay interest or to repay principal when due in accordance with the terms of the associated agreement. An obligor's willingness to pay interest or to repay principal due in a timely manner may be affected by, among other factors, its cash flow. On the other hand, the obligor of a debt security or instrument may repay the principal earlier than when due in accordance with the terms of the associated agreement. This may happen when there is a decline in interest rates, when the obligor's improved credit or operating or financial performance allows the refinancing of certain classes of debt with lower cost debt. The yield of the Funds' investment assets will likely be affected by the rate of pre-payments differing from the Adviser's expectations. Commercial bank lenders or other senior creditors may be able to block payments to the holders of other debt obligations of the same obligor in the event of default under their debt agreements.

The Funds may invest in loans and other similar forms of debt. Such forms of indebtedness are different from traditional debt securities in that debt securities are part of a large issue of securities to the public and loans and similar debt instruments may not be securities, but may represent a specific commercial loan to a borrower. Loan participations typically represent direct participation, together with other parties, in a loan to a corporate borrower, and generally are offered by banks or other financial institutions or lending syndicates. The Funds may participate in such syndications, or can buy part of a loan, becoming a direct lender. When purchasing indebtedness and loan participations, the Funds assume the credit risk associated with the corporate borrower and may assume the credit risk associated with an interposed bank or other financial intermediary. Members of a syndicate in which the Funds participate may have different and sometimes superior rights to those of the Funds. Where the Funds invest as a sub-participant in syndicated debt, it may be subject to certain risks as a result of having no direct contractual relationship with the underlying borrower. As a result, the Funds will generally be dependent on the lender to enforce its rights and obligations under the loan arrangements (without any prior consultation with the Adviser) in the event of a default by the underlying borrower and will generally not have any direct rights against the underlying borrower, any direct rights in the collateral, if any, securing such borrowing, or any right to deal directly with such borrower. The lender will, in general, retain the right to determine whether remedies provided for in the underlying loan arrangement will be exercised, or waived, without any prior consultation with, or consent by, the Adviser. In the event that the Funds enter into such an investment, there can be no assurance that its ability to realize upon a participation will not be interrupted or impaired in the event of the bankruptcy or insolvency of any of the borrower or the lender or that in such circumstances, the Funds will benefit from any set-off between the lender and the borrower. Successful claims by third parties arising from these and other risks may be borne by the Funds.

**Credit Ratings.** There are no restrictions on the credit quality of the investments of the Funds. Instruments in which the Funds may invest may be deemed by rating companies to have substantial vulnerability to default in payment of interest and/or principal. Other instruments may be unrated. Lower-rated and unrated instruments in which the Funds may invest have large uncertainties or major risk exposures to adverse conditions and are considered to be predominantly speculative. Generally, such instruments offer a higher return potential than higher-rated instruments, but involve greater volatility of price and greater risk of loss of income and principal.

The market values of certain of these instruments (such as subordinated instruments) also tend to be more sensitive to changes in economic conditions than higher-rated instruments. The value of such instruments may also be affected by changes in the market's perception of the entity issuing or guaranteeing them, or by changes in government regulations and tax policies.

**Credit Risk (Default Risk).** The Funds' investments are subject to the risk of non-payment of scheduled interest or principal by the borrowers with respect to such investments. Such non-payment would likely result in a reduction of income to the Funds and a reduction in the value of the investments experiencing non-payment.

Although the Funds may invest in investments that the Adviser believes are secured by specific collateral the value of which may exceed the principal amount of the investments at the time of initial investment, there can be no assurance that the liquidation of any such collateral would satisfy the borrower's obligation in the event of non-payment of scheduled interest or principal payments with respect to such investment, or that such collateral could be readily liquidated. In addition, in the event of bankruptcy of a borrower, the Funds could experience delays or limitations with respect to their ability to realize the benefits of the collateral securing an investment. Under certain circumstances, collateral securing an investment may be released without the consent of the Adviser. Moreover, the Funds' investments in secured debt may be unperfected for a variety of reasons, including the failure to make required filings by lenders, trustees or other responsible parties and, as a result, the Funds may not have priority over other creditors as anticipated. The Funds may also invest in high yield securities and other unsecured investments, each of which involves a higher degree of risk than senior secured loans. The Funds' right to payment and its security interest, if any, may be subordinated to the payment rights and security interests of more senior creditors. Certain of these investments may have an interest-only payment schedule, with the principal amount remaining outstanding and at risk until the maturity of the investment. In this case, a portfolio company's ability to repay the principal of an investment may be dependent upon a liquidity event or the long-term success of the company, the occurrence of which is uncertain.

Companies in which the Funds invest could deteriorate as a result of, among other factors, an adverse development in their business, a change in the competitive environment or an economic downturn. As a result, companies that the Funds expected to be stable may operate, or expect to operate, at a loss or have significant variations in operating results, may require substantial additional capital to support their operations or maintain their competitive position, or may otherwise have a weak financial condition or be experiencing financial distress.

**Senior Secured Loans.** Senior secured term loans in most circumstances are fully collateralized by assets of the borrower. Such instruments vary from other types of debt in that they generally hold a senior position in the capital structure of a borrower. Thus, they are generally repaid before unsecured bank loans, corporate bonds, subordinated debt, trade creditors, and preferred or common stockholders. Substantial increases in interest rates may cause an increase in loan defaults as borrowers may lack resources to meet higher debt service requirements. The value of the Funds' assets may also be affected by other uncertainties such as economic developments affecting the market for senior secured term loans or affecting borrowers generally.

Senior secured term loans usually include restrictive covenants, which must be maintained by the borrower. The Funds may have an obligation with respect to certain senior secured term loan investments to make additional loans upon demand by the borrower. Such instruments, unlike certain

bonds, usually do not have call protection. This means that such interests, while having a stated term, may be prepaid, often without penalty. The rate of such prepayments may be affected by, among other things, general business and economic conditions, as well as the financial status of the borrower. Prepayment would cause the actual duration of a senior secured term loans to be shorter than its stated maturity.

Senior secured term loans typically will be secured by pledges of collateral from the borrower in the form of tangible and intangible assets. In some instances, the Funds may invest in senior secured term loans that are secured only by stock of the borrower or its subsidiaries or affiliates. The value of the collateral may decline below the principal amount of the senior secured term loans after an investment by the Funds.

There may be less readily available and reliable information about most senior secured loans than is the case for many other types of securities, including securities issued in transactions registered under the 1933 Act, as amended, or registered under the U.S. Securities Exchange Act of 1934, as amended. As a result, the Adviser will rely primarily on its own evaluation of a borrower's credit quality rather than on any available independent sources. Therefore, the Funds will be particularly dependent on the analytical abilities of the Adviser.

In general, the secondary trading market for senior secured loans is not well developed. No active trading market may exist for certain senior secured loans, which may make it difficult to value them. Illiquidity and adverse market conditions may mean that the Funds may not be able to sell senior secured loans quickly or at a fair price. To the extent that a secondary market does exist for certain senior secured loans, the market for them may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods.

**Unsecured Loans.** The Funds may invest in unsecured loans which are not secured by collateral. In the event of default on an unsecured loan, the first priority lien holder has first claim to the underlying collateral of the loan. It is possible that no collateral value would remain for an unsecured holder and therefore result in a loss of investment to the Funds. Because unsecured loans are lower in priority of payment to secured loans, they are subject to the additional risk that the cash flow of the borrower may be insufficient to meet scheduled payments after giving effect to the secured obligations of the borrower. Unsecured loans generally have greater price volatility than secured loans and may be less liquid.

**Subordinated Loans.** The Funds may invest in secured subordinated loans, including second and lower lien loans or unsecured loans. Second lien loans are generally second in line in terms of repayment priority. A second lien loan may have a claim on the same collateral pool as the first lien or it may be secured by a separate set of assets. Second lien loans generally give investors priority over general unsecured creditors in the event of an asset sale. The priority of the collateral claims of third or lower lien loans ranks below holders of second lien loans and so on. Such junior loans are subject to the same general risks inherent to any loan investment, including credit risk, market and liquidity risk, and interest rate risk. Due to their lower place in the borrower's capital structure, such loans involve a higher degree of overall risk than senior loans of the same borrower.

**Investments in Equity Securities Generally.** The Funds may hold investments in equity securities. Equity securities may include common and preferred stocks and warrants, rights and equivalents. As with other investments that the Funds may make, the value of equity securities held by the Funds may

be adversely affected by actual or perceived negative events relating to the issuer of such securities, the industry or geographic areas in which such issuer operates or the financial markets generally. However, equity securities may be even more susceptible to such events given their subordinate position in the issuer's capital structure. As such, equity securities generally have greater price volatility than fixed income securities or debt instruments. Preferred securities are subordinated to bonds and other debt securities in an issuer's capital structure in terms of priority for corporate income and liquidation payments and, therefore, will be subject to greater credit risk than those debt securities. Depending on the features of the particular security, holders of preferred stock may bear the risks disclosed herein regarding equity or fixed income securities.

**Convertible Securities.** The Funds may invest in or otherwise hold convertible securities. Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into, or exchanged for, a specified amount of common stock of the same or a different issuer within a particular period of time at a specified price or formula. A convertible security entitles its holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics in that they generally (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases.

The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value" (the security's worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security's investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by the Funds are called for redemption, the Funds will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the Funds' ability to achieve its investment objective.

**Corporate Debt Securities.** The Funds may invest in a variety of bonds and related debt obligations of varying maturities issued by U.S. and non-U.S. companies, banks and other corporate entities. Corporate debt securities include bills, notes, debentures, money market instruments and similar instruments and securities, and are generally used by corporations and other issuers to borrow money



from investors for such purposes as working capital or capital expenditures. The issuer pays the investor a variable or fixed rate of interest and normally must repay the amount borrowed on or before maturity. Certain bonds are “perpetual” in that they have no maturity date.

The investment return of corporate debt securities reflects interest earnings, changes in the market value of the security and the expected principal recovery amount. The market value of a corporate debt obligation may be expected to rise and fall inversely with interest rates generally. Debt securities with longer maturities tend to be more sensitive to interest rate movements than those with shorter maturities. In addition to interest rate risk, corporate debt securities also involve the risk that the issuers of the securities may not be able to meet their obligations on interest or principal payments at the time called for by an instrument. The rate of return or return of principal on some debt securities may be linked or indexed to the level of exchange rates between the U.S. dollar and a foreign currency or currencies. Corporate debt securities are subject to the risk of the issuer’s inability to meet principal and interest payments on the obligation and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity.

**Mezzanine Debt.** The Funds may make mezzanine investments, however, if such investments are made, they are expected to be unsecured and made in companies whose capital structures have significant indebtedness ranking ahead of the investments, all or a significant portion of which may be secured. While the investments may benefit from the same or similar financial and other covenants as those enjoyed by the indebtedness ranking ahead of the investments and may benefit from cross-default provisions and security over the portfolio company’s assets, some or all of such terms may not be part of particular investments. Moreover, the ability of the Funds to influence a portfolio company’s affairs, especially during periods of financial distress or following an insolvency, is likely to be substantially less than that of senior creditors. For example, under terms of subordination agreements, senior creditors will typically be able to block the acceleration of the mezzanine debt or other exercises by the Funds of their rights as creditors. Accordingly, the Funds may not be able to take the steps necessary to protect their investments in a timely manner or at all and there can be no assurance that the rate of return objectives of the Funds or any particular investment will be achieved. In addition, the mezzanine securities in which the Funds will invest may not be protected by financial covenants or limitations upon additional indebtedness, may have limited liquidity and are not expected to be rated by a credit rating agency.

Mezzanine investments generally are subject to various risks including, without limitation: (i) a subsequent characterization of an investment as a “fraudulent conveyance” under relevant creditors’ rights laws possibly resulting in the avoidance of collateral securing the investment or the cancellation of the obligation representing the investment; (ii) the recovery as a “preference” of liens perfected or payments made on account of a debt in the 90 days before a bankruptcy filing; (iii) equitable subordination claims by other creditors; (iv) so-called “lender liability” claims by the issuer of the obligations; and (v) environmental liabilities that may arise with respect to collateral securing the obligations. In the United States, at least one bankruptcy case has held that a secondary loan market participant can be denied a recovery from the debtor in a bankruptcy if a prior holder of the loans either received and does not return a preference or fraudulent conveyance or engaged in conduct that would qualify for equitable subordination. Additionally, adverse credit events with respect to any portfolio company, such as missed or delayed payment of interest and/or principal, bankruptcy, receivership or distressed exchange, can significantly diminish the value of the Funds’ investment in any such company.

**Investments in Asset-Backed Securities.** The Funds may also invest in asset-backed securities. “Asset-backed securities” generally refer to securities backed by assets other than mortgages, mortgage-backed securities, or other mortgage-related assets. Credit card receivables, automobile, boat and recreational vehicle installment sales contracts, commercial and industrial loans, home equity loans and lines of credit, manufactured housing loans, corporate debt securities and various types of accounts receivable commonly support asset-backed securities. However, there can be no assurance that innovation in the relevant markets will not transform asset-backed securities by adding new classes of assets, new structures, or other features not now familiar in the asset-backed markets. The investment characteristics of asset-backed securities differ from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that principal generally may be prepaid at any time because the underlying assets generally may be prepaid at any time.

**Asset-backed securities present certain risks.** Primarily, these securities do not have the benefit of the same type of security interest in the related collateral. Credit card receivables, for example, are generally unsecured and the debtors are entitled to the protection of a number of state and U.S. federal consumer loan laws, many of which give such debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. Another example is that most issuers of automobile receivables permit the servicers to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the related automobile receivables. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under state laws, the trustee for the holders of the automobile receivables may not have a proper security interest in all of the obligations backing such receivables. Therefore, there is a possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities. The risk of investing in asset-backed securities is ultimately dependent upon payment of consumer loans by the debtor.

The frequency at which prepayments (including voluntary prepayments by the obligors) occur on loans underlying asset-backed securities will be affected by a variety of factors including the prevailing level of interest rates as well as economic, demographic, tax, social, legal and other factors. Generally, prepayment rates increase when interest rates fall and decrease when interest rates rise. The market value of asset-backed securities will generally vary inversely with changes in market interest rates, declining when interest rates rise and rising when interest rates decline. However, asset backed securities, while having comparable risk of decline during periods of rising rates, usually have less potential for capital appreciation than other investments of comparable maturities due to the likelihood of increased prepayments as interest rates decline. In addition, to the extent any asset-backed securities are purchased at a premium, losses due to default and liquidation and unscheduled principal prepayments generally will result in some loss of the holders’ principal to the extent of the premium paid. Asset-backed securities are subject to whole loan risk and credit risk that the underlying receivables will not be paid by debtors or by credit insurers or guarantors of such instruments.

The underlying assets of asset-backed securities may include receivables of any kind, including, without limitation, such items as motor vehicle installment sales or installment loan contracts, leases of various types of real and personal property, and receivables from credit card agreements. The ability of an issuer of asset-backed securities to enforce its security interest in the underlying assets

may be limited. As described above, the values of some other asset-backed securities are subject to interest-rate risk and prepayment risk. A change in interest rates can affect the pace of payments on the underlying loans, which in turn, affects total return on the securities. Asset-backed securities also carry credit or default risk. If many borrowers on the underlying loans default, losses could exceed the credit enhancement level and result in losses to investors in an asset-backed securities transaction. The value of asset-backed securities may be substantially dependent on the servicing of the underlying asset pools and thus be subject to risks associated with the negligence by, or defalcation of, their servicers. In addition, any fees related to outside loan origination and servicing contracts could negatively affect returns. In certain circumstances, the mishandling of related documentation may also affect the rights of security holders in and to the underlying collateral. The insolvency of entities that generate receivables or that utilize the assets may result in added costs and delays in addition to losses associated with a decline in the value of underlying assets. Furthermore, debtors may be entitled to the protection of a number of state and federal consumer credit laws with respect to asset-backed securities, which may give the debtor the right to avoid payment. Asset-backed securities may be highly illiquid, and the market value of asset-backed securities may fluctuate widely. If the Funds are forced to liquidate its investments in asset-backed securities to satisfy withdrawals, it may be difficult or impossible to do so on favorable terms and may result in losses.

**Public Debt.** If the Funds acquire fixed income securities and/or other instruments that are publicly traded, the Funds will be subject to certain inherent risks. In some circumstances, the Funds may be unable to obtain financial covenants or other contractual rights, including management rights, that it might otherwise be able to obtain in making privately-negotiated debt investments. Moreover, the Funds may not have the same access to information in connection with investments in public instruments, either when investigating a potential investment or after making an investment, as compared to a privately- negotiated debt investment.

**Prepayment and Refinancing Risk.** The frequency at which prepayments (including voluntary prepayments by the obligors and accelerations due to defaults) occur on bonds and loans will be affected by a variety of factors including the prevailing level of interest rates and spreads as well as economic, demographic, tax, social, legal and other factors. Generally, obligors tend to prepay their fixed rate obligations when prevailing interest rates fall below the coupon rates on their obligations. Similarly, floating rate issuers and borrowers tend to prepay their obligations when spreads narrow. However, voluntary prepayments are generally permitted, and the timing of prepayments cannot be predicted with any accuracy.

In general, “premium” securities (securities whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and “discount” securities (securities whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments. Since many fixed rate obligations will be discount instruments when interest rates and/or spreads are high, and will be premium instruments when interest rates and/or spreads are low, such debt instruments and asset-backed instruments may be adversely affected by changes in prepayments in any interest rate environment.

The adverse effects of prepayments may impact the Funds’ portfolio in two ways. First, particular investments may experience outright losses, as in the case of an interest-only instrument in an environment of faster actual or anticipated prepayments. Second, particular investments may underperform relative to hedges that the Adviser may have constructed for these investments, resulting in a loss to the Funds’ overall portfolio. In particular, prepayments (at par) may limit the potential

upside of many instruments to their principal or par amounts, whereas their corresponding hedges often have the potential for unlimited loss.

Significant numbers of borrowers may face the need to refinance their debt over the next few years, and significant numbers of collateralized loan obligation transactions (historically an important source of funding for loans) have reached or are close to reaching the end of their reinvestment periods or the final maturities of their own debt. As a result, there could be significant pressure on the ability of borrowers to refinance their debt over the next few years unless a significant volume of new collateralized loan obligation transactions or other sources of funding develop. If such sources of funding do not develop, significant defaults could occur, and there could be downward pressure on the prices and markets for debt instruments, including the Funds' investments.

**Interest Rate Risk.** Changes in the prevailing interest rates offered by lenders to borrowers could have an adverse impact on the Funds' operations and returns. The Funds' returns will be largely dependent on interest income. Market interest rates are beyond the Funds' or the Adviser's control and can fluctuate in response to general economic conditions and the policies of various governmental and regulatory agencies. Because the Funds' assets may include both floating and fixed rate loans, changes in prevailing interest rates may have an adverse impact on the Funds' returns. In times of rising interest rates, default risk among borrowers with floating rates may increase as their payments increase. A rising interest rate environment may also encourage borrowers with floating rate loans to refinance into fixed-rate loans. In times of decreasing interest rates, borrowers may be inclined to refinance fixed-rate loans. There is no assurance that the Funds will be able to, or desire to, provide such refinancings. The rate at which loans are prepaid will vary based on various factors, including overall economic conditions, availability and terms of new financing alternatives, and prevailing interest rates. If the Funds experience a higher-than-expected rate of prepayments on its loans, it may impact the Funds' returns.

**Borrower Fraud Risk.** Of paramount concern in lending is the possibility of material misrepresentation or omission on the part of the borrower. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of the Funds to perfect or effectuate a lien on the collateral securing the loan. The Funds will rely upon the accuracy and completeness of representations made by borrowers to the extent reasonable, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to the Funds may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment. In addition, when discovered, financial fraud may contribute to overall market volatility which can negatively impact the Funds' investment program.

**Lender Liability Considerations.** In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions based on various evolving legal theories (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of certain of the Funds' investments, the Funds could be subject to allegations of lender liability.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lending institution (i) intentionally takes an action that results in the undercapitalization of a

borrower to the detriment of other creditors of such borrower, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control a borrower to the detriment of the other creditors of such borrower, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called “equitable subordination.” Because of the nature of certain of the Funds’ and its affiliates’ investments, the Funds could be subject to claims from creditors of an obligor that the Funds’ investments issued by such obligor should be equitably subordinated.

**Participation on Creditor’s Committees.** The Funds may participate on committees, formally or informally, formed by creditors to negotiate the management of financially troubled companies that may or may not be in bankruptcy or the Funds may seek to negotiate directly with the debtors with respect to restructuring issues. The Funds may incur significant legal fees and/or other expenses in attempting to do so, as such committees generally consist of many participants, each of which attempts to obtain an outcome that is in its individual best interests. If the Funds do join creditors’ committees, the participants of the committee would be interested in obtaining an outcome that is in their respective individual best interests and there can be no assurance of obtaining results most favorable to the Funds in such proceedings. By participating on such committees, the Funds may be deemed to have duties to other creditors represented by the committees, which might thereby expose the Funds to liability to such other creditors who disagree with the Funds’ actions.

The Funds, the Adviser and/or Guggenheim Corporate Funding, LLC may also be provided with material non-public information that may restrict the Funds’ ability to trade in the company’s securities or be subject to other limitations on trading. While the Funds intend to comply with all applicable securities laws and to make judgments concerning restrictions on trading in good faith, the Funds’ judgments may ultimately be incorrect, and the Funds’ trading in a restructuring company’s securities could result in litigation and liability that may cause the Funds to incur significant legal fees and potential losses. As the Funds will indemnify any person serving on a committee on its behalf for claims arising from the breaches of those obligations, indemnification payments could adversely affect the return on the Funds’ investment in a portfolio company.

**Assignment and Participation.** The Funds may invest in fixed- and floating-rate loans, which investments generally will be in the form of loan participations and assignments of portions of such loans. Under a participation, the Funds will have rights that are more limited than the rights of lenders or of persons who acquire a senior loan by assignment. Participations and assignments involve special types of risk, including credit risk, interest rate risk, liquidity risk, and the risks of being a lender. Participations in commercial loans may be secured or unsecured. Loan participations typically represent direct participation in a loan to a corporate borrower, and generally are offered by banks or other financial institutions or lending syndicates. When purchasing loan participations, the Funds assume the credit risk associated with the corporate borrower and may assume the credit risk associated with an interposed bank or other financial intermediary, and may only be able to enforce their rights through the lender, and may assume the credit risk of the lender in addition to the borrower. The participation interests in which the Funds invest may not be rated by any nationally recognized rating service. In addition, in the event of the insolvency of the lender selling the participation, the Funds may be treated as a general creditor of the lender and may not have a senior claim to the lender’s interest in the senior loan. Participations in senior loans may be more illiquid than senior loans acquired by assignment. Investments in loans through a direct assignment of a financial institution’s interests with respect to the loan may involve additional risks. For example, if a loan is foreclosed,

the Funds could become part owner of any collateral, and would bear the costs and liabilities associated with owning and disposing of the collateral. In addition, it is conceivable that, under emerging legal theories of lender liability, the Funds could be held liable as a co-lender. It is unclear whether loans and other forms of direct indebtedness offer securities laws protections against fraud and misrepresentation. In the absence of definitive regulatory guidance, the Funds rely on the Adviser's research in an attempt to avoid situations where fraud or misrepresentation could adversely affect the Funds.

**Limited Amortization Requirements.** The Funds may invest in loans that have limited mandatory amortization requirements. While these loans may obligate the borrower thereof to repay the loans out of asset sale proceeds or with annual excess cash flow, repayment requirements may be subject to substantial limitations that would allow a borrower to retain such asset sale proceeds or cash flow, thereby extending the expected weighted average life of the investment. In addition, a low level of amortization of any debt over the life of the investment may increase the risk that a borrower will not be able to repay or refinance the loans held by the Funds when it matures.

**Risks from Purchases of Debt on Secondary Basis.** The Funds may invest in loans and debt securities acquired on a secondary basis. The Funds are unlikely to be able to negotiate the terms of such debt as part of its acquisition and, as a result, these investments may not include some of the covenants and protections the Funds may generally seek. Even if such covenants and protections are included in the investments held by the Funds, the terms of the investments may provide portfolio companies substantial flexibility in determining compliance with such covenants. In addition, the terms on which debt is traded on the secondary market may represent a combination of the general state of the market for such investments and either favorable or unfavorable assessments of particular investments by the sellers thereof.

**Investments in Stressed Securities.** The Funds may invest in securities of companies that are experiencing financial or business difficulties, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Although such investments may result in significant returns to the Funds, they involve a substantial degree of risk. Any one or all of the issuers of the securities in which the Funds may invest may be unsuccessful or not show any return for a considerable period of time. 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 the Adviser will correctly evaluate the value of the assets collateralizing the Funds' investments in stressed securities or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which the Funds invest, the Funds may lose their entire investment or may be required to accept cash or securities with a value less than the Funds' original investment. Under such circumstances, the returns generated from the Funds' investments may not compensate the limited partners adequately for the risks assumed.

**Non-Performing Nature of Debt.** It is anticipated that certain debt instruments purchased by the Funds will be non-performing and possibly in default. In addition, the Funds may pursue "capital relief" investments (i.e., subordinated debt or other similar mezzanine investments in respect of structured credit, joint venture or other similar arrangements involving reference portfolios that include "distressed," "non-performing" or similarly categorized loans or other debt instruments). Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to the loans.

**Cross-Collateralization.** Certain of the loans may be cross-collateralized. Cross-collateralization arrangements may be subject to challenge, which could result in the subordination of the Funds' interest in the collateral or the loan itself. Cross-collateralization arrangements involving more than one borrower could be challenged as fraudulent conveyances by creditors of the related borrower in an action brought outside a bankruptcy case or, if the borrower were to become a debtor in a bankruptcy case, by the borrower's representative (or the borrower as debtor-in-possession). If a court were to conclude that the granting of the liens to cross-collateralize a loan was a voidable fraudulent conveyance, such court could (i) subordinate all or part of the pertinent loan to existing or future indebtedness of that borrower, (ii) recover payments made under that loan or (iii) take other actions detrimental to the Funds, including, under certain circumstances, invalidating the loan or the Funds' interest in the collateral securing the cross-collateralized loan. Any of these actions could impair, delay or eliminate payments by the borrower of a loan that is cross-collateralized, which would adversely affect the returns expected by the investors with respect to any such loan.

**Agency Provisions.** Agency provisions in the loans acquired by the Funds may impair enforcement actions against the collateral and expose the Funds to losses on the loans. The loans may consist of agented loans. Under the underlying loan agreement with respect to agented loans, the loan originator or another financial institution may be designated as the administrative agent and/or collateral agent. Under these arrangements, the borrower grants a lien to such agent on behalf of the lenders and directs payments to such agent, which, in turn, will distribute payments to the lenders, including the Funds. The agent is responsible for administering and enforcing the loan and generally may take actions only in accordance with the instructions from lenders holding a specified percentage in commitments or principal amount of the loan. In the case of loans that are part of a capital structure that includes both senior and subordinated loans, the agent may take such action in accordance with the instructions of one or more senior lenders without consultation with, or any right to vote (except in certain limited circumstances) by, the subordinated lenders. The loans held by the Funds may represent less than the amount sufficient to compel such actions or may represent subordinated debt which is precluded from acting and, under such circumstances, the Funds would only be able to direct such actions if instructions from the Funds were made in conjunction with other lenders that together comprise the requisite percentage of lenders then entitled to take or direct the agent to take action. Conversely, if the required percentage of lenders other than such Funds desire to take or direct the agent to take certain actions, such actions may be taken even if the Funds did not support such actions. Furthermore, if a loan held by a Fund is subordinated to one or more senior loans made to the borrower, the ability of the Fund to exercise such rights may be subordinated to the exercise of such rights by the senior lenders. However certain actions, such as amendments to the material payment terms of the loans, typically may not be taken without consent of all lenders, including the Fund. If the loan is a syndicated revolving loan or delayed draw term loan, other lenders may fail to satisfy their full contractual funding commitments for such loan, which could create a breach of contract resulting in a lawsuit by the borrower against the lenders (including a Fund even if it did not default) and adversely affect the fair market value of such loan.

There is a risk that an agent may become subject to insolvency proceedings. Such an event could delay, and possibly impair, the ability of the lenders for such agented loan to take any enforcement action against the related borrower or the collateral securing a loan and may require the lenders to take action in the agent's insolvency proceeding to realize on proceeds or payments made by borrowers that are in the possession or control of the agent.

In addition, it is expected that agented loans will allow for the agent to resign. Agented loans may or may not contain provisions for lenders to remove the agent. If an agent resigns or is removed, the lenders may be required to find, and the required percentage thereof agree to appoint, a successor agent that may be difficult to find or cost more than the predecessor agent.

**Competitive Market for Investment Opportunities.** The activity of identifying, structuring, completing and realizing attractive private equity transactions and transactions falling within the Funds' investment strategies is highly competitive and involves a high degree of uncertainty. The Funds could be competing for investments with private equity funds, private credit funds, hedge funds, strategic investors, financial institutions, large and well-capitalized industrial groups, commercial, investment and merchant banks, or other investors, and certain of these competitors could have larger capital pools or superior access to investment opportunities. The availability of, and competition for, investment opportunities will depend on, among other things, financial, market, business and economic conditions. Additionally, competition for appropriate investment opportunities may increase, thus reducing the number of opportunities available and adversely affecting the terms upon which investments can be made. It is possible that the Funds will never be fully invested if enough sufficiently attractive investments are not identified.

**Resource and Time-Intensive Strategy.** The Adviser's investment strategy is resource- and time-intensive. This aspect of its strategy constrains the Funds' ability to include a large number of significant investments in its portfolio and necessarily limits the amount of due diligence and research which can be completed on any given proposed investment.

**Limited Number of Investments; Lack of Diversity.** The Funds will participate in a limited number of investments. As a result, the Funds' investment portfolio will be highly concentrated, and the adverse performance of a single portfolio company may substantially affect overall returns to the Funds and limited partners. Furthermore, to the extent that aggregate commitments to the Funds do not reach the targeted amount, the Funds may invest in fewer portfolio companies and operate with less diversification than expected. In addition, the Funds intend to make most of their investments in only a few industries. If certain unexpected events occur or trends develop in respect of one or more of the industries in which the Funds will invest, the Funds' performance may be adversely affected.

**Valuation of Investment Opportunities.** The Funds may make investments relying upon projections developed by the Adviser or a portfolio company concerning such company's future performance and cash flow. Projections are inherently uncertain and subject to factors beyond the control of the Adviser and the company in question. This uncertainty may be amplified by the fact that the industries in which the Funds intend to invest are rapidly evolving due to many factors, including regulatory changes, technological advancements, consumer preferences, and political forces and valuations may be subject to greater speculation and/or rest on expectations to a greater extent than some other industries. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of unforeseen events could impair the ability of a portfolio company to realize projected values and/or cash flow.

**Investment in Junior Securities.** The securities in which the Funds will invest may be among the most junior in a portfolio company's capital structure, and thus subject to the greatest risk of loss. Generally, there will be no collateral to protect the Funds' investment in a portfolio company.



**Investment in Highly Regulated Industries.** Businesses in the education, financial services and healthcare industries are under close and frequently changing regulation, regulatory and legislative oversight, and governmental agency scrutiny. Significant segments of the industries the Funds expect to target are, and are expected increasingly to be, highly regulated at both the state and federal levels in the United States, and internationally. In addition, various legislative proposals related to the aforementioned industries are introduced from time to time at the federal and state level, and any such proposals, if adopted, could have a significant adverse impact on the education, financial services and healthcare industries. If a portfolio company fails to comply with the regulatory requirements for its business, it could face significant monetary liabilities, fines and penalties, as well as reputational damage, which would have a significant adverse effect on the operating results of the portfolio company.

**Political Uncertainty in Respect of Highly Regulated Industries.** Changes in regulatory, geopolitical, social or economic policies and other factors may have a material adverse effect on our portfolio companies and the Funds in the future. For example, the outcome of future U.S. Federal elections and potential corresponding Presidential administration change, and Congressional power realignments, may result in significant changes, or uncertainty, in governmental policies, regulatory environments and many other factors and conditions, some of which could adversely impact the Funds' portfolio company operations or make it more difficult for the Funds to achieve their investment objectives. The President has significant influence including a role in appointing federal officials of various agencies that regulate and/or impact the healthcare, education and financial industries, and Congress can impact these industries as well. While it is not possible to predict when and whether significant policy changes would occur, policy changes on the federal level resulting from the outcome of future U.S. Federal elections could significantly impact these industries, the economy and the geopolitical landscape. To the extent that the results of future election cycles have a negative impact on the healthcare, education and financial industries, it may materially and adversely impact our business, results of operations and financial condition in the periods to come.

**Global Economic Conditions; Market Dislocation.** Although global financial markets have been generally experiencing a period of steady recovery since the 2008 financial crisis, volatility remains and any future deterioration could have an adverse impact on the Funds. Disruptions in the financial markets typically make it more difficult for the Funds to realize investments and may impact the market prices of securities and adversely affect the valuation of the Funds' investments.

The success of the Funds' activities, and of the portfolio companies in which the Funds will invest, will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Funds' investments), trade barriers, and political circumstances (including wars, cyber attacks, terrorist acts or security operations). Any national or international economic downturn could adversely affect the financial resources of the Funds' portfolio companies and their ability to make principal and interest payments on, or refinance, outstanding debt when due.

It is unclear what changes the current U.S. presidential administration will enact and how they will impact the Adviser, the Funds, their investments and its partners. Uncertainty around future political, legislative or administrative developments may cause volatility in the U.S., as well as global economies and financial markets more generally, which in turn may have an adverse effect on the values of the Funds' investments and on its ability to execute on its investment strategies. While the

Funds stand to benefit from certain potential regulatory changes, other potential changes may adversely affect the Funds.

**Russian Invasion of Ukraine.** On February 21, 2022, Russian President Vladimir Putin ordered the Russian military to invade two regions in eastern Ukraine (the Donetsk People's Republic and Luhansk People's Republic regions). The following day, the United States, the United Kingdom (the "UK") and European Union announced sanctions against Russia. On February 24, 2022, President Putin commenced a full-scale invasion of Russia's pre-positioned forces into Ukraine, including Russia's forces pre-positioned in Belarus. In response, the United States, UK, and European Union imposed further sanctions designed to target the Russian financial system, and thereafter a number of countries have banned Russian planes from their airspace. The U.S. and allied countries have recently taken steps to prevent certain Russian banks from accessing international payment systems and implemented sanctions on certain Russia exports, including oil and natural gas. Additionally, the U.S. and allied countries have issued sanctions on certain foreign individuals and national leaders who have supported Russia's invasion of Ukraine, restricting such persons from particular transactions in the U.S. and allied countries. Further sanctions may be forthcoming. Russia's invasion of Ukraine, related cyberattacks, the displacement of persons both within Ukraine and to neighboring countries and the increasing international sanctions could have a negative impact on various economies and business activity globally, and therefore could adversely affect the performance of the Funds' investments. Furthermore, given the ongoing and evolving nature of the conflict and its ongoing escalation (such as Russia's recent decision to place its nuclear forces on high alert and the possibility of significant cyberwarfare against military and civilian targets globally), it is difficult to predict the conflict's ultimate impact on global economic and market conditions, and, as a result, the situation presents material uncertainty and risk with respect to the Funds and the performance of their investments or operations, and the ability of the Funds to achieve their investment objectives.

**Coronavirus Outbreak Risks.** The global outbreak of the 2019 novel coronavirus ("COVID-19"), together with resulting voluntary and U.S. federal and state and non-U.S. governmental actions, including, without limitation, mandatory business closures, public gathering limitations, restrictions on travel and quarantines, has meaningfully disrupted the global economy and markets. COVID-19 has and is expected to continue to have ongoing material adverse effects across many, if not all, aspects of the regional, national and global economy. The full effects, duration and costs of the COVID-19 pandemic are impossible to predict, and the circumstances surrounding the COVID-19 pandemic will continue to evolve.

**Leverage.** Certain Funds' investments are expected to include certain debt securities and portfolio companies whose capital structures may have significant leverage, including debt incurred by a portfolio company in order to finance a portion of such Funds' investment in such portfolio company. Further, such companies may not be rated by credit agencies. Although the Funds will seek to use leverage in a manner it believes is prudent, leverage generally magnifies both the Funds' opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage will also result in interest expense and other costs to the Funds that may not be covered by distributions made to the Funds or appreciation of its investments. The use of leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of the Funds' investments to any deterioration in a

company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates could accelerate and magnify declines in the value of the Funds' investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet debt service, the Funds may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the Funds. Furthermore, should the credit markets be unfavorable at the time the Funds determines that it is desirable to sell all or a part of a portfolio company, the Funds may not achieve an exit multiple or enterprise valuation consistent with its forecasts.

**Reliance on Portfolio Company Management.** Each portfolio company's day-to-day operations will be the responsibility of such company's management team. Although the Adviser will be responsible for monitoring the performance of each investment and generally intend to invest in companies operated by strong management, there can be no assurance that the existing management team, or any successor, will be able to operate the portfolio company in a successful manner.

**Non-U.S. Investments.** The Funds may invest in portfolio companies that are organized, headquartered, or have substantial sales or operations outside of the United States. Such investments may be subject to certain risks not typically associated with investing in U.S. businesses, including risks relating to (i) currency exchange matters, such as fluctuations in the rate of exchange between the U.S. dollar and non-U.S. currencies, and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the U.S. and non-U.S. securities markets, including potential price volatility in and relative illiquidity of some non-U.S. securities markets; (iii) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation; (iv) certain economic and political risks, including potential exchange control regulations and restrictions on non-U.S. investment and repatriation of capital, nationalization of business enterprises, the risks of political, economic or social instability, the possibility of substantial rates of inflation and the possibility of expropriation or confiscatory taxation; (v) complex U.S. and non-U.S. tax rules to cross-border investments, possible non-U.S. tax return filing requirements for the Funds and/or the partners, and the possible imposition of non-U.S. taxes on income and gains recognized with respect to such investment abroad; and (vi) less developed laws regarding corporate governance, fiduciary duties and the protection of investors, and other differences in applicable legal systems, including the possibility that the Funds may experience difficulty in asserting legal claims or obtaining legal remedies in non-U.S. jurisdictions.

**Uncertain Exit Strategies.** Due to the illiquid nature of the investments which the Funds expect to make, the Adviser is unable to predict with confidence what, if any, exit strategy will ultimately be available for any given investment position. Exit strategies which appear to be viable when an investment is initiated may be precluded when the investment is deemed to be ready for realization due to economic, legal, political or other factors. The larger the transaction, the more uncertain the Funds' exit strategy tends to become, which increases risk to the Funds' total returns and success.

**Public Company Investments.** The Funds may invest a portion of their total commitments in publicly traded securities. Such investments may subject the Funds to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in valuation, increased obligations to disclose information publicly, limitations on the ability of the Funds to dispose of such securities at specified times, and the possibility of

shareholder litigation against board members (including the principals or another Adviser team executive, if serving as a director on such board).

**Toehold Investments.** The Funds may accumulate minority positions in the outstanding voting stock, or securities convertible into the voting stock, of potential portfolio companies. While the Funds will seek to achieve such accumulation through open market purchases, registered tender offers, negotiated transactions, or private placements, the Funds may be unable to accumulate a sufficiently large position in a target company to execute its strategy. In such circumstances, the Funds may dispose of their position in the target company within a short time of acquiring it and there can be no assurance that the price at which the Funds can sell such securities will not have declined since the time of acquisition. This may be exacerbated by the fact that securities of the companies that the Funds may target may be thinly traded and that the Funds' position may nevertheless have been substantial and its disposal may depress the market price for such securities.

**Non-Controlling Investments.** The Funds may make meaningful minority equity investments or investments in debt securities in portfolio companies where the Funds may not be able to protect their investment or to control or effectively influence the business or affairs of such entities to the same extent as it would in a controlled investment. The Funds may be adversely affected by actions taken by the majority equity holder(s) of the portfolio companies in which it invests, including resulting in the Funds' investments being frozen in minority positions that incur substantial losses.

**Board of Directors Participation.** The Funds' investment strategy may from time to time enable them to place their representatives on the board of directors (or similar governing body) of certain of their portfolio companies. The Funds will attempt to balance the advantages and disadvantages of such representation when deciding whether and how to exercise their rights with respect to such companies (including whether or not such representation will cause the representative to be considered a fiduciary), but the exercise of such rights could produce adverse consequences in particular situations, including exposing the assets of the Funds to claims by a portfolio company, its security holders and its creditors. While the Adviser intends to manage the Funds to minimize exposure to such risks, the possibility of successful claims cannot be precluded.

In addition, if the Adviser's representatives are serving as directors of portfolio companies which are in the "zone of insolvency," such person may have a fiduciary obligation to the creditors of such entity as well as to shareholders of such entity. The interests of such parties may be adverse to the interests of the Funds. This fiduciary obligation may conflict with the Adviser's obligation to the Funds, and the Adviser may resign from such board positions in order to reduce such conflicts.

**Currency and Exchange Rate Risks.** A portion of the Funds' investments, and the income received by the Funds with respect to such investments, may be denominated primarily in foreign currencies. However, the books of the Funds will be maintained, and contributions to and distributions from the Funds generally will be made, in U.S. dollars. Accordingly, changes in currency exchange rates may adversely affect the dollar value of investments and the amounts of distributions, if any, to be made by the Funds. In addition, the Funds will incur costs in converting investment proceeds from one currency to another. The Adviser may cause certain Funds to enter into hedging transactions designed to reduce such currency risks. Furthermore, interests in the Funds are denominated in U.S. dollars. Investors subscribing for interests in any country in which U.S. dollars are not the local currency should note that changes in the value of exchange between U.S. dollars and such currency may have an adverse effect on the value, price or income of the investment to such investor. Each prospective

investor should consult with its own counsel and advisors as to all legal, tax, financial and related matters concerning an investment in the Funds.

**Litigation.** One or more portfolio companies of the Funds may undergo a corporate reorganization. Corporate reorganizations are frequently contentious and adversarial. Stakeholders in a reorganization frequently use litigation, or the threat thereof, as a negotiating technique. The Adviser anticipates that during the term of the Funds, the Adviser, the Funds and perhaps certain of their larger investors may be named as defendants in civil proceedings. The expense of defending against such claims and paying settlements or judgments would be borne by the Funds and would reduce net assets or could require limited partners to return to the Funds distributed capital and earnings. Each of the covered persons is indemnified in connection with such litigation, subject to certain conditions, and any indemnification payments would adversely affect the Funds' returns. Indemnification obligations will survive the dissolution of the Funds.

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

**Cybersecurity Risk.** The Adviser, the Funds' service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the Funds and their investors, despite the efforts of the Adviser and the Funds' service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the security, confidentiality, integrity and availability of information belonging to the Fund and its investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, encrypt or otherwise prevent access to these systems of the Adviser, the Funds' service providers and counterparties, as well as the data stored by these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users

of the Adviser's systems to disclose sensitive information in order to gain access to the Adviser's data or that of the Funds' investors. A successful penetration or circumvention of the security of the Adviser's systems by unauthorized third parties could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause the Funds, the Adviser or their service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss. In addition, the Adviser may incur substantial costs related to investigation of the origin and scope of a cybersecurity incident, increasing and upgrading cybersecurity protections including its administrative, technical, organizational and physical controls, acts of identity theft, unauthorized use or loss of proprietary information, adverse investor reaction, increased insurance premiums or difficulties obtaining insurance coverage, or litigation, regulatory actions or other legal risks.

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

**Interest Rate Fluctuation.** The prices of portfolio investments tend to be sensitive to interest rate fluctuations. Fluctuations in interest rates could cause the corresponding prices of the long and short portions of a position to move in directions which were not initially anticipated. For example, as interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase. This risk will be greater for long-term securities than for short-term securities. In addition, interest rate increases generally will increase the interest carrying costs to the Funds of borrowed securities and leveraged investments.

**Bridge Financings.** From time to time, the Funds may lend to portfolio companies on a short-term, unsecured basis or otherwise invest on an interim basis in portfolio companies in anticipation of a future issuance of equity or long-term debt securities or other refinancing or syndication. If any portion of such bridge financing is not refinanced or refunded within twelve months of the date of the closing of such bridge financing will be considered an investment of the Funds.

**Expedited Transactions.** Investment analyses and decisions by the Adviser may be undertaken on an expedited basis in order for the Funds to take advantage of investment opportunities. In such cases, the information available to the Funds at the time of an investment decision may be limited, and the Funds may not have access to the detailed information necessary for a full evaluation of the investment opportunity.

**Regulation of the Financial Services Industry.** U.S. and foreign governmental action concerning the world financial markets continues to have a significant impact on the financial services industry and other industries, including the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd Frank Act"). Financial sector companies are facing further increased regulation because of current and future governmental initiatives intended to provide economic stimulus, financial market stability and enhanced regulation of financial services companies and to enhance the liquidity and solvency of financial institutions and markets. To the extent the Funds invest in any banks directly, many banks expect in many cases more intense scrutiny from bank supervisors in the examination process and more aggressive enforcement of laws and regulations on both the federal and state levels. Compliance with regulations and other supervisory initiatives will likely increase portfolio company costs and reduce revenue and may limit the ability to pursue certain desirable business opportunities.

Portfolio companies in the financial sectors must expend efforts to comply with these new regulations, and requirements have resulted in, and are likely to continue to result in, an increase in expenses and a diversion of management's time from other business activities.

The Consumer Financial Protection Bureau ("CFPB") has broad regulatory powers over consumer financial services and products, including mortgage originators, credit card issuers, debt collectors, and pay day lenders. The CFPB and other federal agencies were given significant discretion in drafting the rules and regulations mandated by the Dodd-Frank Act. Many of these rules and regulations are still outstanding and such rules and regulations, once implemented, may negatively impact businesses in the financial services sector, thus decreasing potential returns to the Funds.

Certain financial services companies may also be subject to regulation at the state and local level, including state licensing, reporting, and examination requirements. State laws regarding financial services are constantly changing, and future changes may negatively impact businesses in the financial sector through increased compliance costs, decreased revenue, or other means.

**Risks of Investing in the Healthcare Industry.** Investing in securities of healthcare companies involves substantial risks, including (but not limited to) the following: there is scarce capital being invested in these securities which leads to increased price volatility and unpredictable liquidity; certain companies may have limited operating histories; scarcity of management and marketing personnel with appropriate scientific or medical training may slow or impede companies' growth; the possibility of lawsuits related to patents or products, obsolescence of products, change in government policies, changing investor sentiments and preferences with regard to healthcare industry investments (some of which are generally perceived as risky) may have an adverse effect on the price of underlying securities; and volatility in the stock markets affecting the prices of healthcare company securities may cause the performance of the Funds to experience substantial volatility.

There are risks unique to investments in securities of healthcare companies that are a result of increasing regulation of, and government intervention into, the healthcare industry and the complexity raised by ethical issues. Changes in the regulatory environment could affect healthcare companies in ways that are not currently anticipated. All drugs, for example, must be approved by government regulatory agencies before marketing. Healthcare reforms, which often include special taxes, price controls and provisions for patient rights, affect all providers of medical products and services. The Federal Trade Commission and the Food and Drug Administration have become increasingly involved as healthcare companies' attempt to protect product patents and seek partnerships at all levels, from specific drugs or technologies, to mergers and acquisitions between the large pharmaceutical companies. Rapid advances in genetic engineering have caught government agencies ill-prepared and have resulted in widely disparate regulations on bio-engineered medical products. As an example, the mapping of the human genome has provoked issues regarding the ownership of the raw sequence and the validity of patents based solely on the genetic data. Ethical issues continue to affect the sector on such topics as the standard of care, the role of managed care, the cost of medicine to society, the fairness of tiered medical systems, the differences in drug pricing, the level of funding attributed to the study of bioterrorism and the justification of animal testing.

**Technological Trends in the Education Sector.** Increasingly, employers demand that their new employees possess appropriate technological skills and appropriate "soft" skills, such as communication, critical thinking and teamwork skills. The nature of the skills required can evolve rapidly in today's changing economic and technological environment. A company in the education

sector, if unable to adequately respond to changes in market requirements due to regulatory or financial constraints, unusually rapid technological changes, or other factors, may suffer decreased business success, worsened financial condition, and negative cash flow and operations results, adversely affecting the such company's ability to pay any debt obligations.

**Regulatory Risks for For-Profit Higher Education Firms.** The tertiary for-profit education sector, while growing rapidly, has been increasingly subjected to extensive U.S. federal and state regulation and enforcement. The principal federal regulatory regime is established under the Higher Education Act of 1965, as it is amended and reauthorized from time to time, and the regulations promulgated under the Act by the U.S. Department of Education. Among other matters, these regulations govern participation by universities in federal student financial aid programs under Title IV of the Higher Education Act ("Title IV") which is the principal source of funding for students at these universities. Companies in this sector generally collect most of their total consolidated net revenue from receipt of Title IV financial aid program funds. Recently, the Department of Education has become increasingly concerned with for-profit education companies and the companies that accredit them. Neither portfolio companies nor the Adviser can predict how the regulations and requirements administered by federal and state educational supervision agencies will be applied or interpreted in the future, or whether portfolio companies will be able to maintain their accreditation. This can lead to significantly adverse impacts upon a portfolio company, thus impairing returns to the Funds.

**Increased Rulemaking by U.S. Department of Education.** Companies in the education sector face increased rulemaking by the U.S. Department of Education, potentially negatively impacting returns to such companies. The U.S. Department of Education has promulgated a substantial number of new regulations in recent years relating to institutional eligibility under the Higher Education Act and the Secretary's recognition of accrediting agencies; regulations regarding institution and lender requirements relating to education loans under the Higher Education Act; regulations requiring institutions that participate in Title IV programs to be authorized to operate by the appropriate postsecondary regulatory authority in each state where the institution has a physical presence; regulations defining for the first time the standards to measure "preparation for gainful employment," instituting consequences of failing the standards, and requiring reporting of certain data to the Department of Education (such regulations were vacated by the U.S. District Court for the District of Columbia in 2012); and regulations requiring certain disclosures to students related to gainful employment. Such increased regulation may require potential portfolio company management to expend time and resources on compliance, including an increase in overall operating costs, as opposed to focusing upon the growth strategy on which the Funds' investment relies.

**Valuation of Assets.** There is no actively traded market for most of the securities owned by the Funds. When estimating fair value, the Adviser will apply a methodology based on its best judgment that is appropriate considering the nature, facts and circumstance of the investments. Valuations are subject to multiple levels of review for approval and ensuring that portfolio investments are fairly valued is an important focus of the Adviser. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and differs from the prices at which such securities may ultimately be sold. Third-party pricing information may at times not be available regarding certain of a Fund's assets. With respect to the Funds, the exercise of discretion in valuation by the Adviser gives rise to conflicts of interest, valuations (including, for instance, determination of when an investment should be written down or written off) impact the Adviser's track record and the performance allocation in certain Funds is



calculated based, in part, on these valuations, and such valuations affect the amount and timing of performance fees and calculation of Advisory Fees.

**Uncertain Performance of Credit Markets.** Negative economic trends nationally and globally, as well as in specific geographic areas, could result in an increase in defaults and delinquencies in the assets underlying the investments. Though levels of defaults and delinquencies have decreased from peak levels, there is a material possibility that economic activity will be volatile or will slow. The business, financial condition or results of operations of issuers may be adversely affected by a worsening of economic and business conditions. A decreased ability of obligors to obtain refinancing may result in an economic decline and a deterioration in loan performance generally. There is no way to determine whether current trends in the credit markets will continue, improve or worsen in the future. A decrease in market value of the assets underlying the investments could ultimately affect the ability of obligors to pay in full or redeem the investments.

The Funds' investment strategy and the availability of opportunities satisfying the Funds' risk-adjusted return parameters relies in part on the continuation of certain trends and conditions observed in the financial markets and in some cases the improvement of such conditions. Trends and historical events do not imply, forecast or predict future events and, in any event, past performance is not necessarily indicative of future results. There can be no assurance that the assumptions made, or the beliefs and expectations currently held by the Adviser will prove correct and actual events and circumstances may vary significantly.

**Economic Recessions or Downturns could Impair Issuers and Harm the Funds' Operating Results.** Many of the issuers in which the Funds will make investments may be impacted by economic slowdowns or recessions and may be unable to repay the loans made to them during these periods. Therefore, non-performing assets may increase, and the value of the Funds' portfolio may decrease, during these periods. Adverse economic conditions also may decrease the value of collateral securing some of the Funds' loans and the value of its equity investments which could lead to financial losses in the Funds' portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase the Funds' and the issuers' funding costs, limit the Funds' and the issuers' access to the capital markets or result in a decision by lenders not to extend credit to the Funds or the issuers. These events could prevent the Funds from increasing investments and harm their operating results.

**Recent Financial Market Fluctuations.** In recent years, U.S. and global financial markets and the broader current financial environment have been, and continue to be, characterized by uncertainty, volatility and instability. These financial market fluctuations have the tendency to reduce the availability of attractive investment opportunities for the Funds and may affect the Funds' ability to make investments and the value of the investments held by the Funds. Instability in the securities markets and economic conditions generally may also increase the risks inherent in the Funds' investments. The public securities markets have seen increased volatility and the ability of companies to obtain financing for ongoing operations or expansions may be severely hampered by the tightening of the credit markets and the ongoing financial turmoil. It is unclear what the repercussions of this market turmoil may be. Moreover, it remains unknown whether governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) will have a positive or negative effect on market conditions. There can be no assurance that the market will, in the future, become more liquid than it is at present, and it may well continue to be volatile for the foreseeable future. The ability to realize investments depends not only on portfolio companies and their historical results and

prospects, but also on political, market and economic conditions at the time of such realizations. In the past, many private equity funds have looked to the public securities markets as a potential exit strategy and there can be no assurance, particularly given the recent volatility in the financial markets and a potential lack of investor appetite for new issues in the public securities markets, that Funds will be able to exit from their investments in portfolio companies by listing their shares on securities exchanges. The trading market, if any, for the securities of any portfolio company may not be sufficiently liquid to enable a Fund to sell these securities when the Adviser believes it is most advantageous to do so, or without adversely affecting the stock price. Continued or renewed volatility in the financial sector may have an adverse material effect on the ability of the Funds to buy, sell and partially dispose of their portfolio company investments. The Funds may be adversely affected to the extent that they seek to dispose of any of their portfolio investments into an illiquid or volatile market, and a Fund may find itself unable to dispose of investments at prices that the Adviser believes reflect the fair value of such investments. The duration and ultimate effect of current market conditions and whether such conditions may worsen cannot be predicted and there can be no assurances that conditions in the financial markets will not worsen or adversely affect one or more a Fund's portfolio companies. The ability of portfolio companies to refinance debt securities depends on their ability to sell new securities in the public high yield debt market or otherwise.

**Environmental, Social and Governance Matters.** While environmental, social or governance ("ESG") is only one of the many factors the Adviser will consider in making an investment, there is no guarantee that the Adviser will successfully implement and make investments in companies that create positive ESG impact while enhancing long-term shareholder value and achieving financial returns. To the extent that the Adviser engages with companies on ESG-related practices and potential enhancements thereto, such engagements may not achieve the desired financial and social results, or the market or society may not view any such changes as desirable. Successful engagement efforts on the part of the Adviser will depend on the Adviser's skill in properly identifying and analyzing material ESG and other factors and their impact-related value, and there can be no assurance that the strategy or techniques employed will be successful. Considering ESG qualities when evaluating an investment may result in the selection or exclusion of certain investments based on the Adviser's view of certain ESG-related and other factors and carries the risk that the Adviser may underperform funds that do not take ESG-related factors into account because the market may ultimately have a different view of a particular company's performance than that anticipated by the Adviser.

Consideration of ESG factors may affect the Adviser's exposure to certain companies, sectors, regions, countries or types of investments, which could negatively impact the Adviser's performance depending on whether such investments are in or out of favor. Applying impact investing goals to investment decisions is qualitative and subjective by nature, and there is no guarantee that the criteria utilized by the Adviser, or any judgment exercised by the Adviser will reflect the beliefs or values of any particular investor. In evaluating a company, the Adviser is dependent upon information and data obtained through voluntary or third-party reporting that may be incomplete, inaccurate or unavailable, which could cause the Adviser to incorrectly assess a company's ESG practices and/or related risks and opportunities. ESG-related practices differ by region, industry and issue and are evolving accordingly, and a company's ESG-related practices or the Adviser's assessment of such practices may change over time.

**Climate Change.** The Funds may acquire investments that are located in, or have operations in, areas that are subject to climate change. Any investments located in coastal regions may be affected by any future increases in sea levels or in the frequency or severity of hurricanes and tropical storms, whether

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

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

**Regulatory, Tax and Legal Risks and Changes; Enhanced Scrutiny of Private Funds Industry and Private Equity Industry.** During the term of the Funds, legal, tax and regulatory changes could occur that may adversely affect the Funds. Recent political and economic developments have led to significant public scrutiny of the private funds industry and private equity industry. In view of such scrutiny, there have been significant legislative developments affecting the private funds industry and private equity industry, and agency rulemaking in connection with these developments is ongoing.

**Financial Sector Regulatory Risks.** The financial sector is subject to extensive and comprehensive regulation under state and federal laws in the United States and the laws of the various jurisdictions outside the United States in which financial services companies conduct business. The United States and other governments have undertaken major reform of the regulatory oversight structure of the financial services industry, including engaging in new efforts to impose requirements designed to reduce systemic risks and protect consumers and investors from financial abuse. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on the Funds' activities, including the ability of the Funds to implement operating improvements at portfolio companies or otherwise execute its investment strategy or achieve its investment objectives.

**Changes in the Law.** Amendments to U.S. bankruptcy law, laws and regulations specifically focused upon the education or financial services industry, or other relevant laws, including recently enacted legislation, could alter an expected outcome or introduce greater uncertainty regarding the likely outcome of an investment by the Funds. There can be no assurance that existing laws and regulations applicable to portfolio companies and/or issuers in which the Funds invest will not be revised or reinterpreted, that new laws and regulations will not be adopted or become applicable to such portfolio companies or issuers, and that such companies' or issuers' business and financial conditions will not be materially and adversely affected by such future changes in, or reinterpretation of, such laws and regulations.

**Regulatory Approvals and Related Portfolio Company Matters.** The Funds may invest in portfolio companies it believes have obtained all material federal, state, local or non-U.S. approvals required as of the date thereof to acquire and operate its assets. In addition, the Funds may require the consent or approval of applicable regulatory authorities in order to acquire or hold particular portfolio companies. A portfolio company could be materially and adversely affected as a result of statutory or regulatory changes or judicial or administrative interpretations of existing laws and regulations that impose more comprehensive or stringent requirements on such company. Moreover, additional regulatory approvals, including without limitation, renewals, extensions, transfers, assignments, reissuances or similar actions, may become applicable in the future due to a change in laws and regulations, a change in the companies' customer(s) or for other reasons. There can be no assurance that the Funds or any portfolio company will be able (i) to obtain all required regulatory approvals that it does not yet have or that it may require in the future; (ii) to obtain any necessary modifications to existing regulatory approvals; or (iii) to maintain required regulatory approvals. Delay in obtaining or failure to obtain and maintain in full force and effect any regulatory approvals, or amendments thereto, or delay or failure to satisfy any regulatory conditions or other applicable requirements could prevent operation of the facility or sales to third parties or could result in additional costs to a portfolio company. In connection with the regulatory approval, licensing or review processes for any portfolio company, disclosures and other undertakings may be required from or in respect of the existing or prospective owners of such portfolio company, potentially including the Funds and, in turn, the limited partners.

**Compliance with the Alternative Investment Fund Managers Directive and the Alternative Investment Fund Managers Regulations.** The Alternative Investment Fund Managers Directive 2011/61/EU, including any implementing national laws, rules or regulations ("AIFMD") and the UK Alternative Investment Fund Managers Regulations 2013 as amended by the Alternative Investment Fund Managers (Amendment) (EU Exit) Regulations 2018 (the "AIFM Law") regulate how alternative investment funds (such as the Funds) are marketed in the European Economic Area ("EEA") and the UK. AIFMD or the AIFM Law do not apply if an investor approaches a manager at its own initiative to request information on a fund.

The Adviser has decided not to market the Funds at its own initiative or otherwise take any other action that would result in the AIFMD or the AIFM Law applying to the Adviser or the Funds. Accordingly, the Adviser shall only accept investors where the Adviser concludes that such investors approached the Adviser in relation to the Funds at their own initiative or that the AIFMD or the AIFM Law would not otherwise apply to the Adviser or the Funds or any person acting on their behalf. There is a risk that an EEA Member State or UK regulatory or governmental authority may reach a different conclusion to the Adviser and find that the AIFMD or the AIFM Law does apply to the Adviser or the Funds. Such a finding may result in a regulatory or governmental authority or court in one or more

EEA Member States or the UK requiring the Adviser or the Funds to return any capital or other funds to investors or otherwise seeking to take other enforcement or remedial action against the Adviser and/or the Funds. This may result in a reduction in the overall amount of capital available to the Funds that limits, in turn, the range of investment strategies and investments that the Funds are able to pursue and make or otherwise result in a loss to the Funds.

The decision not to market the Funds in any EEA Member States or the UK may also result in a reduction in the overall amount of capital available to the Funds that limits, in turn, the range of investment strategies and investments that the Funds are able to pursue and make.

As the Adviser will not be required to comply with any of the requirements of the AIFMD or the AIFM Law with which a non-EEA or non-UK manager registered under the AIFMD or the AIFM Law is otherwise required to comply, investors will not receive the protections or benefits available under the AIFMD or the AIFM Law, including initial disclosure requirements and periodic reporting on illiquid assets and leverage.

Notwithstanding the above, the Adviser may, in the future, decide to market the Fund in certain or all EEA Member States or the UK at its own initiative or otherwise take action that would result in the AIFMD applying to the Adviser or the Funds in which case the Adviser will provide relevant investors with further disclosures.

**United Kingdom's Exit from the European Union.** The UK left the European Union on January 31, 2020 (commonly referred to as "Brexit"). During an eleven-month transition period, the UK and the European Union agreed to a Trade and Cooperation Agreement which sets out the agreement for certain parts of the future relationship between the European Union and the UK after January 1, 2021. The Trade and Cooperation Agreement does not provide the UK with the same level of rights or access to all goods and services in the European Union as the UK previously maintained as a member of the European Union and during the transition period. In particular, the Trade and Cooperation Agreement does not include an agreement on financial services which is yet to be agreed. Accordingly, uncertainty remains in certain areas as to the future relationship between the UK and the European Union.

From January 1, 2021, European Union laws ceased to apply in the UK. However, many European Union laws have been transposed into English law and these transposed laws will continue to apply until such time that they are repealed, replaced or amended. Depending on the terms of any future agreement between the European Union and the UK on financial services, substantial amendments to English law may occur, and it is impossible to predict the consequences on the Funds and their investments. Such changes could be materially detrimental to investors.

Although one cannot predict the full effect of Brexit, it could have a significant adverse impact on the UK, European and global macroeconomic conditions and could lead to prolonged political, legal, regulatory, tax and economic uncertainty. This uncertainty is likely to continue to impact the global economic climate and may impact opportunities, pricing, availability and cost of bank financing, regulation, values or exit opportunities of companies or assets based, doing business, or having service or other significant relationships in, the UK or the European Union, including companies or assets held or considered for prospective investment by the Funds.

The future application of European Union-based legislation to the private fund industry in the UK and the European Union will ultimately depend on how the UK renegotiates the regulation of the provision

of financial services within and to persons in the European Union. There can be no assurance that any renegotiated terms or regulations will not have an adverse impact on the Funds and their investments, including the ability of the Funds to achieve their investment objectives. Brexit may result in significant market dislocation, heightened counterparty risk, an adverse effect on the management of market risk and, in particular, asset and liability management due in part to redenomination of financial assets and liabilities, an adverse effect on the ability of the Adviser and their affiliates to manage, operate and invest the Funds and increased legal, regulatory or compliance burden for the Adviser, their affiliates and/or the Funds, each of which may have a negative impact on the operations, financial condition, returns or prospects of the Funds.

Areas where the uncertainty created by the UK's withdrawal from the European Union is relevant include, but are not limited to, trade within Europe, foreign direct investment in Europe, the scope and functioning of European regulatory frameworks (including with respect to the regulation of alternative investment fund managers and the distribution and marketing of alternative investment funds), industrial policy pursued within European countries, immigration policy pursued within European Union countries, the regulation of the provision of financial services within and to persons in Europe and trade policy within European countries and internationally. The volatility and uncertainty caused by the withdrawal may adversely affect the value of the Funds' investments and the ability to achieve the investment objective of the Funds.

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

## **ITEM 9. DISCIPLINARY INFORMATION**

Item 9 is not applicable to the Adviser.

## **ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **Related General Partners**

Various entities serve as general partners of the Funds and are related persons of the Adviser. For a description of material conflicts of interest created by the relationship among the Adviser and the general partners, as well as a description of how such conflicts are addressed, please see Item 11 below.

## **ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN INVESTOR TRANSACTIONS AND PERSONAL TRADING**

### **Code of Ethics**

The Adviser has adopted a written Code of Ethics that is applicable to all of its partners, officers, principals, employees and other personnel of the Adviser, as well as officers, principals, employees and other personnel of its affiliates and certain independent contractors (collectively, “Adviser Personnel”). The Code of Ethics, which is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 (as amended, the “Advisers Act”), establishes guidelines for professional conduct and personal trading procedures, including certain pre-clearance and reporting obligations. Adviser Personnel and their families and households may purchase investments for their own accounts, including the same investments as may be purchased or sold for a Fund, subject to the terms of the Code of Ethics. Under the Code of Ethics, Adviser Personnel are also required to file certain periodic reports with the Adviser’s Chief Compliance Officer as required by Rule 204A-1 under the Advisers Act. The Code of Ethics helps the Adviser detect and prevent potential conflicts of interest.

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

Clients and prospective clients and investors in a Fund may request a copy of the Code of Ethics by contacting Jesse Ruiz, Chief Compliance Officer, at 312-626-1113 or [jruiz@vistria.com](mailto:jruiz@vistria.com).

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

Certain employees and affiliates of the Adviser may invest in and alongside the Funds, either through the general partners, as direct investors in the Funds or otherwise. A Fund or its general partner, as applicable, may reduce all or a portion of the Advisory Fee and Carried Interest related to investments held by such persons. For further details regarding these arrangements, as well as conflicts of interest presented by them, please see “Conflicts of Interest” immediately below.

### **Conflicts of Interest**

The Adviser and its related entities engage in a broad range of activities, including investment activities for their own account and for the account of other investment funds, and providing

transaction-related, investment advisory, management and other services to funds and operating companies. In the ordinary course of conducting its activities, the interests of a Fund will, from time to time, conflict with the interests of the Adviser, other Funds or their respective affiliates. Certain of these conflicts of interest, as well a description of how the Adviser addresses such conflicts of interest, can be found below.

The material conflicts of interest encountered by a Fund include those discussed below, although the discussion below does not necessarily describe all of the conflicts that may be faced by a Fund. Other conflicts may be disclosed throughout this brochure and the brochure should be read in its entirety for other conflicts.

### *Resolution of Conflicts*

In the case of all conflicts of interest, the Adviser's determination as to which factors are relevant, and the resolution of such conflicts, will be made using the Adviser's best judgment, but in its sole discretion. In resolving conflicts, the Adviser will consider various factors, including the interests of a Fund with respect to the immediate issue and/or with respect to their longer-term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors generally mitigate, but will not eliminate, conflicts of interest:

- (1) A Fund will not make an investment unless the Adviser believes that such investment is an appropriate investment considered from the viewpoint of such Fund and in accordance with the Organizational Documents;
- (2) Generally, each Fund has established an advisory committee, consisting of representatives of investors not affiliated with the Adviser. The advisory committees will meet as required to consult with the Adviser as to certain potential conflicts of interest;
- (3) Where the Adviser deems appropriate, unaffiliated third parties may be used to help resolve conflicts, such as the use of an investment banker to opine as to the fairness of a purchase or sale price; and
- (4) The Adviser has adopted and implemented certain policies and procedures designed to reduce certain conflicts of interest.

### *Allocation of Investment Opportunities*

In connection with its investment activities, the Adviser may encounter situations in which it must determine how to allocate investment opportunities among various clients and other persons, which may include, but are not limited to, the following:

- The Funds;
- Employees, business associates and other "friends and family" of the Adviser or its personnel; individuals and entities that are also investors in one or more Funds ("Vistria Investors") and/or individuals and entities that are not investors in any Funds ("Third Parties") that wish to make direct investments (i.e., not through an investment vehicle) side-by-side with the Funds in particular transactions entered into by the Funds; and



- Vistria Investors and/or Third Parties acting as “co-sponsors” with the Adviser with respect to a particular transaction.

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

The Adviser and the other investment funds or accounts are generally subject to investment allocation requirements (collectively, “Investment Allocation Requirements”), which will also apply directly or indirectly to certain co-investment vehicles with investments contractually tied to the Funds. Investment Allocation Requirements are generally set forth in a Fund’s Organizational Documents.

To the extent the Investment Allocation Requirements of a Fund do not include specific allocation procedures and/or allow the Adviser discretion in making allocation decisions among the Funds, the Adviser will follow the process set forth below.

The Adviser first determines whether the Funds will participate in an investment opportunity. The Adviser assesses whether an investment opportunity is appropriate for the Funds, based on their respective investment objectives, strategies and structure. The investment objectives, strategies and structure of the Funds are reflected in their respective Organizational Documents. Prior to making any allocation to the Funds of an investment opportunity, the Adviser determines what additional factors may restrict or limit the offering of an investment opportunity to the Adviser. Possible restrictions on investment opportunities being allocated to the Funds include, but are not limited to:

- **Obligation to Offer:** the Adviser may be required to offer an investment opportunity to one or more Funds. This obligation to offer investment opportunities may be set forth in a Fund’s Organizational Documents.
- **Related Investments:** the Adviser may offer an investment opportunity related to an investment previously made by a Fund(s) to such Fund(s) to the exclusion of, or resulting in a limited offering to, other Funds.
- **Legal and Regulatory Exclusions:** the Adviser may determine that the Funds or investors in such Funds should be excluded from an allocation due to specific legal, regulatory and contractual restrictions placed on the participation of such persons in certain types of investment opportunities.

If a Fund will participate in a particular investment, the Adviser, in its discretion, decides how to allocate such investment opportunity among the participating Funds. In allocating such investment opportunity, the Adviser may consider some or all of a wide range of factors, which include, but are not necessarily limited to, one or more of the following:

- Each Fund’s investment objectives and investment focus;
- Transaction sourcing (and with respect to an investment opportunity originated by a third party, the relationship of a particular Fund to or with such third party);
- Each Fund’s liquidity and reserves (including whether a Fund is able to commit to invest all capital required to consummate a particular investment opportunity);

- Each Fund’s diversification (including the actual, relative or potential exposure of a Fund to the type of investment opportunity in terms of existing portfolio);
- Lender covenants and other restrictions;
- Any “ramp-up” period of a newly established Fund;
- The amount of capital available for investment by each Fund as well each Fund’s projected future capacity for investment;
- Each Fund’s targeted rate of return;
- Stage of development of a prospective portfolio company or other investment and anticipated holding period of the portfolio company;
- Composition of each Fund’s portfolio and investment concentration parameters (including, without limitation, parameters such as geography, industry, issuer, volatility, leverage or other similar metrics);
- The suitability as a follow-on investment for a current portfolio company of a Fund;
- The availability of other suitable investments for each Fund;
- Supply or demand of an investment opportunity at a given price level;
- Cash flow considerations;
- Risk considerations;
- The likelihood of current income;
- The centrality of an investment to a Fund’s strategy;
- Asset class restrictions;
- The seniority of an investment and other capital structuring criteria;
- Industry and other allocation targets;
- Maximum and minimum investment size requirements;
- Tax implications;
- Legal, contractual or regulatory constraints; and
- Any other relevant limitations imposed by, or conditions set forth in, the applicable Organizational Documents of each Fund.

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

Allocation determinations are inherently subjective and give rise to conflicts of interest due to the inherent biases in the process. For instance, in allocating investment opportunities among the Funds with differing fee, expense and compensation structures, the Adviser has an incentive to allocate investment opportunities to the Funds from which the Adviser or its related persons derive, directly or indirectly, higher fees, compensation or other benefits. Notwithstanding the foregoing, the Adviser will not allocate investment opportunities based, in whole or in part, on (i) the relative fee structure or amount of fees paid by any Fund or (ii) the profitability of any Fund.

In addition, Adviser Personnel invest indirectly in and are permitted to invest directly in Funds and therefore participate indirectly in investments made by the Funds in which they invest. Such interests may create an incentive to allocate particularly attractive investment opportunities to a Fund in which such personnel hold a greater interest. The existence of these varying circumstances presents conflicts of interest in determining how much, if any, of certain investment opportunities to offer to a Fund.

#### *Allocation of Co-Investment Opportunities and Secondary Transactions*

The Adviser will determine if the amount of an investment opportunity exceeds the amount the Adviser determines would be appropriate for the Funds (after taking into account any portion of the opportunity allocated by contract to certain participants in the applicable deal, such as co-sponsors, consultants and advisers to the Adviser and/or the Funds and/or management teams of the applicable portfolio company, certain strategic investors and other investors whose allocation is determined by the Adviser to be in the best interest of the Funds), and any such excess may (but is not required to) be offered to one or more co-investors pursuant to the procedures included in such Funds' Organizational Documents or, to the extent not addressed in such Funds' Organizational Documents, in accordance with the following paragraphs. There may be circumstances where an amount that otherwise could have been invested by a particular Fund is instead allocated to one or more co-investors.

In addition, co-investment vehicles may be formed to make investments alongside a Fund. In such cases, the co-investment vehicle will have a priority right to make co-investments in some or all of the investments made by a Fund. The existence of such a priority right will significantly reduce or eliminate co-investment opportunities available to investors.

Subject to any applicable Investment Allocation Requirements, in general, (i) no investor in a Fund has a right to participate in any co-investment opportunity and investing in a Fund does not give an investor any rights, entitlements or priority to co-investment opportunities, (ii) decisions regarding whether and to whom to offer co-investment opportunities and the terms on which a co-investment is made, are made in the sole discretion of the Adviser or its related persons or other participants in the applicable transactions, such as co-sponsors, (iii) co-investment opportunities may, and typically will, be offered to some and not other investors in the Funds, in the sole discretion of the Adviser or its related persons and investors may be offered a smaller amount of co-investment opportunities than originally requested and an investor may be offered fewer co-investment opportunities than other

investors in the same Fund, with the same, larger or smaller capital commitments to such Fund, (iv) certain persons other than investors in the Funds (e.g., consultants, joint venture partners, members of the Portfolio Resources Group, Senior Advisors, Operating Partners, persons associated with a portfolio company and other Third Parties), rather than one or more investors in a Fund will, from time to time, be offered co-investment opportunities, in the sole discretion of the Adviser or its related persons, and (v) co-investors may purchase their interests in a portfolio company at the same time as the Funds or may purchase their interests from the applicable Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell down or transfer). Each co-investment opportunity (should any exist) is likely to be different and allocation of each such opportunity will be dependent upon the facts and circumstances specific to that unique situation (e.g., timing, industry, size, geography, asset class, projected holding period, exit strategy and counterparty). Additionally, non-binding acknowledgements of interest in co-investment opportunities are not Investment Allocation Requirements and do not require the Adviser to notify the recipients of such acknowledgements if there is a co-investment opportunity. However, the Adviser from time to time agrees to give particular investors, Funds, or other third parties priority access to co-investment opportunities. The existence of such priority co-investment access rights could affect the Adviser's decision to offer certain opportunities for co-investment and could limit the ability of Funds or their investors to be offered certain co-investment opportunities.

In exercising discretion to allocate co-investment opportunities with respect to a particular investment among the Funds and potential co-investors, the Adviser may consider some or all of a wide range of factors which include, but are not limited to, its own interests and one or more of the following:

- The Adviser's evaluation of the financial resources of the potential co-investment party, including its ability to meet capital contribution obligations and the Adviser's perception of the ability of the potential purchase (in terms of, for example, staffing, expertise and other resources or similar synergies) to efficiently and expeditiously participate in the investment opportunity with the relevant Fund(s) without harming or otherwise prejudicing such Fund(s), in particular where the investment opportunity is time sensitive in nature, as is typically the case (including whether the potential purchase has a complicated tax structure that would require particular structuring implementation or covenants that would not otherwise be required);
- Any confidentiality concerns the Adviser has that may arise in connection with providing the other account or person with specific information relating to the investment opportunity in order to permit such potential co-investment party to evaluate the investment opportunity;
- Whether a potential co-investment party has a history of participating in opportunities and the Adviser's perception of its past experiences and relationships with the potential co-investment party, including its belief that the potential co-investment party would help establish, recognize, strengthen and/or cultivate relationship that may provide indirectly longer-term benefits to current or future Funds and/or the Adviser and the expected amount of negotiations required in connection with a potential co-investment party's investment;
- Whether the potential co-investment party would require any governance rights that would complicate the transaction (or, alternatively, whether the potential co-investment party would be willing to defer to the Adviser and assume a passive role in governing a portfolio company);

- The character and nature of the co-investment opportunity (including the potential co-investment amount, structure, geographic location, tax characteristics and relevant industry);
- Level of demand for participation in such co-investment opportunity;
- The ability of a potential co-investment party to aid in operating or monitoring a portfolio company or the possession of certain expertise by a potential co-investment party and the potential co-investment party's relationship with the management team of the potential portfolio company and whether the potential co-investment party has any existing positions in the portfolio company;
- Any interests a potential co-investment party has in any competitors of the portfolio company;
- Whether the potential co-investment party would subject the Adviser, the Funds or their affiliates to legal, regulatory, competitive, confidentiality, reporting, public relations, media or other burdens that make it less likely that the other account or person would act upon the investment opportunity if offered;
- The Adviser's evaluation of whether a particular potential co-investment party has provided value in the sourcing, establishing relationships, participating in diligence and/or negotiations for such potential transaction or is expected to provide value to the business or operations of a portfolio company post-closing;
- The Adviser's evaluation of whether the profile or characteristics of the potential co-investment party may 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 (for example, if the potential co-investment party is involved in the same industry as a target company in which a Fund wishes to invest, or if the identity of the potential co-investment party, or the jurisdiction in which the potential co-investment party is based, may affect the likelihood of a Fund being able to capitalize on a potential investment opportunity);
- Whether the potential co-investment party will make commitments to invest in other Funds (including concurrently with the applicable co-investment);
- Whether the Adviser believes, in its sole discretion, that allocating investment opportunities to a potential co-investment party will help establish, recognize, strengthen and/or cultivate relationships that may provide indirectly longer-term benefits (including strategic, sourcing or similar benefits) to current or future Funds and/or the Adviser and whether the potential co-investment party has demonstrated long-term and/or continuing commitment to the potential success of current or future Funds and/or the Adviser; and
- Such other facts as it deems appropriate under the circumstances in exercising such discretion.

The factors above are not listed in order of importance or priority and the Adviser is not required to, and does not, consider all of the factors described above in any particular investment and some factors may be more or less important depending upon the nature of the particular investment and attendant circumstances. The Adviser's exercise of its discretion in allocating investment opportunities with respect to a particular investment among potential co-investors who are investors in a Fund, and in

the manner discussed above may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to other such persons. For example, the Adviser may be incentivized to offer a co-investment opportunity to certain persons over others based on its economic arrangement with such person. While the Adviser will determine how to allocate investment opportunities using its best judgment, considering such factors as it deems relevant, but in its sole discretion, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made will be as favorable as they would be if the conflicts of interest to which the Adviser may be subject, discussed herein, did not exist.

In the event the Adviser determines to offer an investment opportunity to co-investors, there can be no assurance that the Adviser will be successful in offering a co-investment opportunity to a potential co-investor, in whole or in part, that the closing of such co-investment will be consummated in a timely manner, that the co-investment will take place on the terms and conditions that will be preferable for the Funds or that expenses incurred by the Funds with respect to the syndication of the co-investment will not be substantial and the Funds bear the risk that any or all excess portion of an investment is not sold or is sold on unattractive terms. Further, it is possible that a potential co-investment party may experience financial, legal or regulatory difficulties and may, from time to time, have economic, tax, regulatory, contractual or other business interests or goals that are inconsistent with those of a Fund and as a result, may take a different view from the Adviser as to appropriate strategy for an investment or may be in a position to take a contrary action to a Fund's investment objective. In the event that the Adviser is not successful in offering a co-investment opportunity to potential co-investors, in whole or in part, a Fund may consequently hold a greater concentration and have exposure in the related investment opportunity, than was initially intended, which could make a Fund more susceptible to fluctuations in value resulting from adverse economic and/or business conditions with respect thereto. An investment that is not syndicated to co-investors as originally anticipated could significantly reduce a Fund's overall investment returns. Therefore, it is possible that a Fund overcommits to an investment and bears a disproportionate allocation of the risks associated with the transaction without being compensated for assuming such risks.

The Adviser or its affiliates may establish dedicated co-investment vehicles for specific investors in order to facilitate investments by the relevant investors as co-investment parties alongside a Fund. Any such vehicle will be established at the Adviser or its affiliates' sole discretion and the Adviser and its affiliates have no obligation to offer a similar opportunity to any other investor.

In addition, to the extent the Adviser has discretion over a secondary transfer of interests in a Fund pursuant to the Organizational Documents, or is asked to identify potential purchasers in a secondary transfer, the Adviser will do so in its sole discretion, generally taking into account the following factors:

- The Adviser's evaluation of the financial resources of the potential purchaser, including its ability to meet capital contribution obligations;
- The Adviser's perception of its past experiences and relationships with the potential purchaser, including its belief that the potential purchaser would help establish, recognize, strengthen and/or cultivate relationships that may provide indirectly longer-term benefits to current or future Funds and/or the Adviser and the expected amount of negotiations required in connection with a potential purchaser's investment;

- Whether the potential purchaser would subject the Adviser, the applicable Fund or their affiliates to legal, regulatory, competitive, confidentiality, reporting, public relations, media or other burdens that make it less likely that the other account or person would act upon the investment opportunity if offered;
- A potential purchaser's investment into another fund (including a commitment to a future fund);
- Requirements in such Fund's Organizational Documents; and
- Such other facts as it deems appropriate under the circumstances in exercising such discretion.

### *Diverse Investor Group*

Investors in the Funds are expected to include U.S. taxable and tax-exempt entities and institutions from jurisdictions outside of the United States. The investors may have conflicting investment, tax and other interests with respect to their investments in a Fund. The conflicting interests of individual investors may relate to or arise from, among other things, the nature of investments made by a Fund, the structuring or the acquisition of investments and the timing of disposition of investments. Conflicts of interest may arise in connection with decisions made by the Adviser, including with respect to the nature or structuring of investments, which may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. Also, Fund investments may have a negative impact on related investments made by the investors in separate transactions. In selecting, structuring and managing investments appropriate for a Fund, the Adviser will consider the investment and tax objectives of the applicable Fund and its investors as a whole, not the investment, tax or other objectives of any investors individually.

### *Dilution from Subsequent Closings*

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

### *Carried Interest*

The existence of the right of a Fund's general partner to receive Carried Interest in respect of investments of a Fund may create an incentive for the general partner to make riskier or more speculative investments on behalf of such Fund than would be the case in the absence of this arrangement although the affiliates of the general partner's commitment of capital to a Fund should somewhat reduce this incentive. If distributions are made of property other than cash, the amount of any such distribution will be accounted for at the fair market value of such property as determined by the general partner in accordance with procedures set forth in the Organizational Documents. An independent appraisal generally will not be required and is not expected to be obtained. In certain limited circumstances, the amount of Carried Interest will be calculated based on the fair market value of in-kind distributions, even though an investor may have elected to receive a distribution of cash in lieu thereof.

In addition, pursuant to the Organizational Documents, the general partner may be required to return excess amounts of Carried Interest as a “clawback.” This clawback obligation may create an incentive for the general partner to defer disposition of one or more investments or delay the liquidation of a Fund if the disposition and/or liquidation would result in a realized loss to the Fund or would otherwise result in a clawback situation for the general partner.

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

### *Advisory Fee*

Because there is a fixed investment period after which capital from investors will only be drawn down in limited circumstances and because Advisory Fees are, at certain times during the life of a Fund, based upon capital invested by a Fund, this fee structure creates an incentive to deploy capital when the Adviser would not otherwise have done so.

### *Taxation of Carried Interest*

The Tax Act and applicable U.S. Treasury Regulations subject allocations of certain items of income and gain in respect of or treated as in respect of entitlements to Carried Interest and gain on the sale of profits interests in certain partnerships to higher rates of U.S. federal income tax than under prior law in certain circumstances. Very generally, the higher rate of taxation applies to the members of the general partner and potentially certain related persons in respect of gain from the disposition of an asset where a Fund’s holding period in such asset is not greater than three years. Significant uncertainties remain regarding the application of the provisions of the Tax Act and the U.S. Treasury Regulations thereunder that affect the taxation of Carried Interest. The Adviser’s ability to achieve the investment objectives of a Fund depends to a substantial degree on its ability to retain and motivate its investment professionals and other key personnel, and to recruit talented new personnel. The Adviser’s ability to recruit, retain and motivate its professionals is dependent on its ability to offer highly attractive incentive compensation. This holding period requirement could cause the Adviser’s investment professionals to incur a material increase in their tax liability with respect to their entitlement to Carried Interest and income and gain treated as Carried Interest for these purposes. This might make it more difficult for the Adviser to incentivize, attract and retain these professionals, which may have an adverse effect on the Adviser’s ability to achieve the investment objectives of a Fund.

In addition, this holding period requirement can create a conflict of interest as the tax position of the Adviser may differ from the tax positions of the Funds and/or the investors and therefore, these rules may have an additional impact on the investment decisions made by the Funds, including with respect to decisions on the timing and structuring of dispositions and whether to pursue particular realization events during the holding period of an investment, such as non-liquidating distributions. For example, the tax law gives the Adviser an incentive to cause a Fund to hold an investment for longer than three years in order to obtain lower tax rates on Carried Interest gains even if there are attractive realization opportunities earlier than three years.



### *Other Fees*

The Adviser and its affiliates may be entitled to receive cash and noncash topping, break-up, monitoring, directors', transaction, organizational, set-up, financial advisory, investment banking, underwriting, syndication and other similar fees in connection with the purchase, monitoring or disposition of investments or from unconsummated transactions, including fees received in connection with mergers, acquisitions, add-on acquisitions, refinancings, public offerings, sales and similar transactions, including warrants, options, derivatives and other rights in respect of portfolio companies of the Funds (such fees, together with the other fees described in this paragraph, "Other Fees"). Specifically, the Adviser and its affiliates may also receive "monitoring fees" pursuant to monitoring agreements with portfolio companies of the Funds governing the advice, consultation and other similar ongoing services provided by the Adviser to such portfolio companies, the terms of which may include annual automatic renewals or the payment of fixed fees or fees calculated as a percentage of EBIDTA or similar performance metric). The amount and timing of such Other Fees are generally specified in the agreement or other documentation governing the transaction. There are certain circumstances (such as the occurrence of an initial public offering or strategic exit) which accelerate the payment of such fees. Because the agreements with portfolio companies providing for such fees generally have extended terms (often ten years or more and/or subject to automatic extensions and renewal), the effect of such acceleration is substantial, particularly in the event such circumstances occur early in the life of a Fund's investment in such portfolio company. Notwithstanding the foregoing, in the event of an initial public offering or other disposition, monitoring fees will continue to be paid so long as a Fund continues to hold an other than de minimis position in such portfolio company and the Adviser or its affiliates continue to provide the monitoring services. Other Fees may be paid directly by portfolio companies to the Adviser or its affiliates for management-type services in respect of the portfolio companies. Other Fees are in addition to the Advisory Fees and Carried Interest paid by the Funds. For the avoidance of doubt, any fees, expenses, compensation or other amounts paid or reimbursed by a portfolio company to the Portfolio Resources Group, Operating Partners and/or Senior Advisors are not deemed to be Other Fees and do not reduce any fees otherwise payable to the management company or its affiliates.

In many cases with respect to the implementation of the arrangements described above, there is not an independent third party involved on behalf of the relevant portfolio company and therefore, the fees are not subject to a market check. Therefore, a conflict of interest exists in the determination of any such fees and other related terms in the applicable agreement with the portfolio company by virtue of the Adviser acting on behalf of both parties.

For purposes of calculating any Advisory Fee offset, Other Fees are net of out-of-pocket costs and expenses incurred by the Adviser in connection with consummated or unconsummated transactions or in connection with generating any such fees. Other Fees may be substantial and may be paid in cash, in securities of the portfolio companies or investment vehicles (or rights thereto) or otherwise. Investors will not receive any direct benefit from Other Fees, except that Other Fees will be applied in full to offset the Advisory Fee.

The payment of Other Fees by portfolio companies creates a conflict of interest between the Adviser, and its affiliates, on the one hand, and the Funds and the investors, on the other hand, because the amounts of these Other Fees and reimbursements are often substantial and the Funds and the investors generally do not have a direct interest in these fees and reimbursements. The Adviser determines the amount of these fees for the services provided and reimbursements in its own discretion, subject to

agreements with sellers, buyers, and management teams, the board of directors of or lenders to portfolio companies, and/or third-party co-investors in its transactions, and the amount of such fees and reimbursements may not be disclosed to investors.

Other Fees are often substantial and may be paid in cash, in securities of the portfolio companies, prospective portfolio companies or investment vehicles (or rights thereto) or otherwise. Although Other Fees are in addition to the Advisory Fee the Adviser will in some circumstances reduce the amount of Advisory Fees paid by the Fund in connection with the receipt of such Other Fees in accordance with the Organizational Documents.

To the extent an Other Fee relates more than one Fund participating (or expecting to participate) in an investment, the Other Fee is general allocated among such Funds pro-rata based on the capital commitment of such participating Funds (or, for an unconsummated investment, the proposed commitments) or on such other basis the Adviser determines to be fair and reasonable in its discretion. However, in determining how to allocate an Other Fee among more than one participating Funds, the Adviser will also take into account, among other things, the type of transaction (e.g., original acquisition or follow-on), the consideration involved in the transaction (cash or in-kind) and the value of the consideration.

To the extent an Other Fee relates to more than one Fund, generally, the portion of Other Fees allocable to capital invested by a Fund, co-investment vehicle, or third-party investor that does not pay Advisory Fees or to capital committed by a Fund investor that does not pay Advisory Fees will be retained by the Adviser and such amounts will not offset any Advisory Fee.

#### *Use of Placement Agents*

The Funds or the Adviser may determine to engage one or more placement agents in respect of the offer of interests to certain prospective investors. Any such placement agent will act for the Funds, or the Adviser, and not as an investment adviser to potential investors in connection with the offering of interests. Potential investors must independently evaluate the offering and make their own investment decisions. In making those decisions, potential investors should be aware that a placement agent would be paid a placement fee based upon the amount of capital commitments to the Funds by investors that such placement agent introduces to the general partner or the Funds. Any placement agent fees and expenses may be paid by the Funds and borne as described in the Organizational Documents. Potential investors should also note that at various times the Funds' placement agent or agents may act as placement agent for other fund sponsors and funds, including fund sponsors and funds that are not affiliated with the Adviser or its affiliates. Such unaffiliated fund sponsors may pay placement fees on terms different from the fees such placement agents may receive in respect of the Funds, and such differences in fees may influence a placement agent's decision to introduce potential investors to the Funds. Furthermore, such placement agents may seek to do business with and earn fees or commissions from portfolio companies of the Funds and affiliates of the Adviser, for example in connection with financing or investment banking services, or lending or arranging credit. Accordingly, potential investors should recognize that each such placement agent's participation as a placement agent for the interests may be influenced by its interest in such current or future fees and commissions. Potential investors should also be aware that affiliates or employees of a placement agent could invest in the Funds on their own behalf and/or on behalf of their clients. Each potential investor should consider these issues in making its investment decision.

### *Other Activities of the Adviser*

Investment personnel of the Adviser will devote such time as may be reasonably necessary to conduct the business affairs of the Funds in an appropriate manner in accordance with the Organizational Documents. The Adviser and its affiliates may sponsor, act as general partner or investment manager of, or provide advice to, managed accounts and other private investment funds or may otherwise engage in businesses in addition to, or unrelated to, the Funds. The Adviser executives and founding principals may work on other projects, including, but not limited to, other investment vehicles managed by the Adviser or its affiliates. The Adviser expects that it, or its personnel will in the future establish one or more additional investment funds with investment objectives substantially similar to, or different (and potentially conflicting) from, the Funds. Allocation of available investment opportunities between the Funds and other investment funds or accounts or managed accounts could give rise to conflicts of interest. The Adviser may give advice or take actions with respect to the investments of one or more Funds that may not be given or taken with respect to other Funds with similar investment programs, objectives or strategies. In addition, a Fund may not be able to invest through the same investment vehicles, or have access to similar credit or utilize similar investment strategies as another Fund. These differences may result in variations with respect to price, leverage and associated costs of a particular investment opportunity.

Adviser Personnel are required to report any outside business activities generating revenue. If any are deemed to be in conflict with the interests of a Fund, such conflicts will be fully disclosed or the employee will be directed to cease this activity.

In connection with the foregoing reporting and disclosure obligations, Harreld (“Kip”) N. Kirkpatrick III and Martin H. Nesbitt are members of an unaffiliated investment manager that manages a private fund, and Mr. Kirkpatrick serves as a member of a portfolio advisory committee that provides advice in connection with such private fund. In their capacity as members of the unaffiliated manager, Mr. Kirkpatrick and Mr. Nesbitt will be entitled to receive a portion of carried interest, if any, that is made by such private fund. Mr. Kirkpatrick, Mr. Nesbitt and other owners, officers or employees of the Adviser or its affiliates may in the future provide advice to or otherwise engage in activities on behalf of other unaffiliated investment managers or other financial industry participants, and may receive compensation in connection with such activities, provided that any such activities will only be engaged in consistent with the Organizational Documents of each Fund, including with respect to any notice or consent provisions as applicable.

In addition, it is expected that Adviser Personnel responsible for managing a particular Fund will have responsibilities with respect to other Funds managed by the Adviser, including funds raised in the future or to proprietary investments made by the Adviser and/or its principals of the type made by a Fund. Conflicts of interest arise in allocating time, services or functions of these officers and employees. The Adviser has an incentive to allocate more time, services or functions to the Funds which the Adviser derives a higher economic benefit and/or better-performing Funds.

The Adviser may, consider, and reject an investment opportunity on behalf of one Fund and, the Adviser or an affiliate of the Adviser may subsequently determine to have another Fund or fund of the Adviser’s affiliate make an investment in the same company. A conflict of interest arises because one Fund will, in such circumstances, benefit from the initial evaluation, investigation and due diligence undertaken by the Adviser on behalf of another Fund if it originally considered the

investment. In such circumstances, the benefitting Fund or Funds will not be required to reimburse the original Fund for expenses incurred in connection with researching such investment.

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

The Adviser and its affiliates may also enter into formal or informal arrangements with portfolio investments to facilitate the sharing of data and/or data analytics. Subject to applicable legal, regulatory and contractual requirements, these information sharing arrangements are designed to allow the Adviser, the Funds, and the Funds’ portfolio companies to better discern economic or other trends and developments. The Adviser believes that the Funds benefit from these arrangements in ways that would be impossible without the ability to aggregate data from across the Adviser’s businesses and the Funds’ portfolio companies. However, information sharing may involve conflicts of interest between the Funds and/or between the Funds and the Adviser. For example, data analytics based on inputs from one portfolio company may inform business decisions by other portfolio investments, or investment decisions by the Adviser and its affiliates, without the source of the data being directly compensated. The Adviser and its affiliates may utilize such data outside of Fund activities in a manner that may provide a material benefit to the Adviser, without directly

compensating or otherwise benefiting the Funds. It is difficult, if not impossible, to measure exactly the benefits any particular entity receives from these kinds of arrangements, or to provide specific and direct monetary compensation for such information. As a result, the Adviser may have an incentive to pursue investments (on its own behalf or on behalf of the Funds) based on the data that may be accessible as a result of owning such investments, and/or to utilize such data in a manner that benefits the Adviser and/or investments held by other Funds.

The Funds may enter into borrowing arrangements that require the Funds to be jointly and severally liable for the obligations. If one Fund defaults on such arrangement, the other Funds may be held responsible for the defaulted amount.

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

The Adviser, its affiliates and the Funds will often engage common legal counsel and other advisers in a particular transaction, including transactions in which there may be conflicts of interest. Members of the law firms engaged to represent the Funds may be investors in a Fund may also represent one or more portfolio companies or investors in a Fund. In the event of a significant dispute or divergence of interest between Funds and the Adviser and/or its affiliates, the parties may engage separate counsel in the sole discretion of the Adviser and its affiliates. Moreover, in litigation and certain other circumstances separate representation may be required. Additionally, the Adviser, its affiliates and the Funds and the portfolio companies may engage other common service providers. In such circumstances, there may be a conflict of interest between the Adviser, on the one hand, and the Funds and portfolio companies, on the other hand, in determining whether to engage such service providers, including the possibility that the Adviser may favor the engagement or continued engagement of such persons if it 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 Fund and/or the portfolio companies.

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

From time to time, Adviser Personnel invest in funds or other entities managed by investors of a Fund, which could incentivize such Adviser Personnel to afford the investor preferential or favored

treatment, such as, for example, increased access to co-investment opportunities, and could create conflicts of interest to the extent such other funds compete with a Fund for investment opportunities or invest in competing portfolio companies.

### *Conflicts Related to Continuation Transactions*

The Adviser has in the past established, and may from time to time in the future, establish investment vehicles for the purpose of purchasing one or more investments from a Fund and/or for the purpose of purchasing one or more investments from one Fund (often where the selling Fund is approaching the end of its term) in connection with or alongside another Fund making an investment (such transactions, “Continuation Transactions”). As part of a Continuation Transaction, the selling Fund’s limited partners from time to time may be, and have in the past been, given an election to rollover their existing Fund investment into a new investment vehicle through which they continue to invest in the underlying portfolio company or companies together with the purchasing Continuation Vehicle. The affiliated nature of these transactions and the Adviser’s involvement with both the selling and purchasing entities give rise to conflicts of interests, including those discussed below under “*Cross-Transactions*”.

In addition, the Adviser has an incentive to maximize the purchase price for the investments on behalf of the selling Fund which would benefit the Adviser by potentially making it more likely that the Adviser will earn carried interest (or will earn more carried interest) with respect to the selling Fund to the detriment of a purchasing Fund and/or Continuation Vehicle. Furthermore, following a Continuation Transaction, the Adviser will from time to time be entitled to receive management fees and potentially carried interest with respect to the purchasing Continuation Vehicles and where applicable other purchasing Fund(s), which it would not receive if the investments were sold to an unrelated third-party. Accordingly, a Continuation Transaction benefits the Adviser because the Adviser may receive an aggregate amount of fees and carried interest greater than it otherwise would have received in a sale transaction to an unrelated Third-Party.

A Continuation Transaction also gives rise to conflicts relating to the initial allocation of the transferred investments. Where the purchase is by a Continuation Vehicle together with another Fund(s), the Continuation Vehicle may be subject to certain minimum allocation requirements, which would reduce the portion of the investment available to such other purchasing Fund(s). As a result, in each case the Continuation Vehicle and, where applicable, purchasing Fund(s) may be allocated a smaller or larger amount of an investment than the Adviser originally anticipated.

Further, there is no other third-party market check or bidding process involved in a Continuation Transaction. Accordingly, the consideration paid by a Continuation Vehicle and, where applicable, such other purchasing Fund(s), may be more or less than what the transferred investments are ultimately worth had they been sold to one or more other buyers in one or more separate transactions, including an outright sale to a third party.

Following a Continuation Transaction, a Continuation Vehicle may be invested in the same portfolio company as other Fund(s). Investments in the same portfolio company give rise to the conflicts of interest discussed below in “*Conflicts Related to Purchases and Sales*” and “*Conflicts Related to Investments by the Funds in Different Layers of a Capital Structure*.”

### *Conflicts Related to Purchases and Sales*

The Adviser, its affiliates, and officers, principals or employees of the Adviser and its affiliates may buy securities in transactions offered to but rejected by the Funds. A conflict of interest may arise because such investing Adviser Personnel will, for some investments, benefit from the evaluation, investigation, and due diligence undertaken by the Adviser on behalf of the Fund. In such circumstances, expenses incurred by the relevant Fund(s) and/or the Adviser in connection with the investment opportunity will generally be allocated between the investing personnel and the relevant Fund(s) as determined by the Adviser in its sole discretion. In addition, Adviser Personnel may also buy securities and hold interests as passive investors in other investment vehicles (including private equity funds, hedge funds, real estate funds and other similar investment vehicles) which may include potential competitors of the Funds and/or which may invest in similar industries and sectors as the Funds. Such personnel have a conflict of interest with respect to their personal investment holdings. There could be situations in which such investment vehicles invest in the same portfolio companies as a Fund and there may be situations in which such investment vehicle purchases securities from, or sells securities to, a Fund. The investment policies, fee arrangements, and other circumstances of these investments may vary from those of the Funds. Such personnel may be incentivized to cause a Fund to act in a manner that benefits such other investment vehicles and indirectly, themselves as investors in such investment vehicles.

The Adviser, its affiliates, certain of its principals and employees, and their relatives may invest in and alongside a Fund either through a general partner of a Fund, a separate investment entity, as direct investors in a Fund, or otherwise, and therefore may have additional conflicting interests in connection with these investments.

Such transactions are subject to the policies and procedures adopted by the Adviser from time to time.

### *Conflicts Related to Investments by the Funds in Different Layers of a Capital Structure*

Investment opportunities may from time to time arise that are appropriate for the Funds at different levels of a portfolio company's capital structure (including equity, junior and senior debt securities). A Fund is expected, from time to time (i) invest in conjunction with an investment being made by another Fund, (ii) invest in a transaction where another Fund has already made an investment or (iii) hold an investment in a company in which another Fund will make an investment.

For example, a situation may arise where a Fund is a holder of equity securities of a portfolio company, and another Fund has the opportunity to invest in loans or debt securities of such portfolio company. Such a debt investment could arise in a number of contexts, including where a Fund acquires debt of the portfolio company in a secondary purchase, where another Fund becomes a lender to the portfolio company at the time a Fund acquires a controlling interest and finances such acquisition, and where another Fund participates in a refinancing of the portfolio company's debt after a Fund has acquired its equity investment. If such a situation were to arise, a Fund's investment, by virtue of being an equity investment, would be effectively junior in the capital structure to the debt investment of another Fund. These situations may arise where a Fund is a majority/controlling equity holder of the portfolio company, and where such Fund holds a minority/non-controlling equity investment, and where another Fund is the sole lender or a majority holder of a given debt tranche, and where the other Fund is a minority holder of such debt. In certain instances, a Fund may also take a minority or majority interest in the same tranche of debt in which another Fund holds an interest, or in a tranche of debt

that is senior to, or junior to, the debt in which such Fund holds an interest, such as where certain debt is secured and other debt is secured on a junior basis or unsecured, or where certain debt is contractually senior to other debt. All these situations may give rise to additional conflicts of interest. In addition, a portfolio company may engage in a refinancing transaction following which a Fund could hold all, or substantially all, of the debt of a portfolio company in which another Fund is invested. Conflicts may arise in connection with such investments and transactions, including for, but not limited to, the conflicts described herein. Further, in such situations it is expected that the Funds will have overlapping or the same members of the investment committee, so the same individuals will be making decisions and resolving conflicts on behalf of the Funds.

Investments at varying levels of the capital structure (e.g., debt and equity investments or investments in debt securities with differing priorities) give rise to competing interests among the holders which could disadvantage a Fund and its investors. Equity holders and debt holders have different (and often competing) motives, incentives, liquidity goals and other interests with respect to a portfolio company and there can be no assurance that the Adviser will not choose a course of action that benefits one Fund to the detriment of another Fund. Most significantly, equity holders have the potential to benefit from transactions that may have the potential to greatly increase a portfolio companies value, but which may also present risks, while the returns of debt investors are limited to return of principal and their agreed economic returns. In addition, holders of debt instruments of differing priorities have differing interests as well, since, generally speaking, holders of more senior securities have lower return and lesser tolerance for risk.

Conflicts may arise in negotiating the initial terms of debt investments, given the differing interests of holders of equity and debt, or of different tranches of debt, including economic terms (including, without limitation, fees, interest rates, whether or not “payments-in-kind,” of interest are permitted and penalties for early repayment), the covenants (including whether financial covenants will be required and their formulation and levels, the degree to which such the portfolio company is permitted to engage in acquisition or disposition transactions, incur additional indebtedness, and make distributions to equity holders). Conflicts may also arise if amendments or waivers are sought, e.g., to permit transactions in which the portfolio company wishes to engage, or to address defaults or liquidity issues, and in restructuring or bankruptcy process.

Conflicts among holders of investments with different priorities in a capital structure are exacerbated when a portfolio company is in financial distress or difficulty or faces default situations, as the interests between one Fund as a holder of equity and another Fund holding debt instruments will diverge and will often be adverse. For instance, if one Fund holds a senior security to another Fund, questions arise as to whether and how payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced.

There are also conflicts of interest if a Fund holds junior debt instruments, as junior debt has greater inherent risks than senior debt. For example, conflicts may arise with respect to the acceleration of principal payments in the event of a default (as a Fund holding junior debt may be incentivized to accelerate payment while it would be in another Fund’s best interest for such acceleration not to occur). In addition, in the event a portfolio company breaches a debt or asset covenant, the Funds holding investments, or a different priority may have differing interests in terms of deciding whether to waive certain available remedies. Such actions would have a direct (and likely negative) impact on a Fund’s equity investment in such a company.



Decisions about what action should be taken in a troubled situation, including whether to enforce claims, whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring raise conflicts of interest. If a Fund holds the sole or a majority interest in the debt instruments of a portfolio company, then there may not be an unaffiliated third-party involved in the decision-making process with respect to any such restructuring or distressed situations. In such event, a Fund would not be a passive debtholder and as a result, the Adviser would be making all decisions on behalf of the Funds, including, for instance, whether to exercise certain remedies, which remedies should be exercised and/or how and when to exercise its remedies under the applicable Organizational Documents. This would increase the likelihood of a direct conflict between the Funds that could disadvantage the Funds.

Other conflicts are expected to arise in cases where one Fund as a holder of equity securities desires the portfolio company to have optimal flexibility to grow, while another Fund, as holder of debt instruments of the same company, would not benefit from such flexibility and may instead benefit by placing tighter restrictions on the types and amounts of such company's acquisitions and activities, which could restrict and/or adversely affect the original Fund's ability to make operational decisions on behalf of a portfolio company that would benefit such Fund. Furthermore, because of the different legal rights associated with debt and equity investments, the Adviser will face a conflict of interest in respect of the advice given to, and the actions taken on behalf of, one Fund as compared to another Fund.

Furthermore, it is expected that the decision-making personnel at the Adviser (e.g., investment committee members) will overlap with respect to the Funds. These personnel also have investments in and alongside the Funds. Such interests vary and such personnel may have an incentive to take a course of action to benefit the Funds in which such personnel holds a greater interest.

The involvement of Adviser personnel at both the equity and debt levels could inhibit strategic information exchanges among fellow creditors. In addition, if Adviser personnel receives material nonpublic information by virtue of debt investment (for instance, by participation on a creditors committee), the ability of a Fund to sell its investment may be impaired which could have an adverse effect on such Fund. Further, in certain circumstances, a Fund may be prohibited from exercising voting or other rights and may be subject to claims by other creditors with respect to the subordination of their interest, or a Fund may remain passive in a situation in which it is entitled to vote. This inability to participate aggressively and actively in restructuring discussions could result in a Fund recovering less on its investments where such conflicts exist than a third-party investor would in the same position.

If additional capital is necessary as a result of financial or other difficulties of a portfolio company, or to finance growth or other opportunities, a Fund may or may not provide such additional capital, and, if provided, each Fund will supply such additional capital in such amounts, if any, as determined by the Adviser. In the event a Fund is unable to fund its share of additional capital (e.g., in the event such Fund does not have sufficient available capital), the Fund may be obligated to fund more than its share of such amount. In such event, a Fund will gain greater exposure to such investment than may have been intended and the other Fund will be diluted in such investment. The returns of a Fund may be negatively impacted as a result of the foregoing. Investments by a Fund also raise the potential risk that assets of such Fund could be viewed as being employed to support positions taken by other Funds.

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

There may also be differences in timing of entry into, or exit from, a portfolio company for reasons such as differences in strategy, existing portfolio or liquidity needs. In addition, where the Funds invest in the same portfolio company, there can be no assurance that such parties will dispose of investments at the same time and on the same terms and a Fund may act as a lender to a portfolio company after another Fund disposes of its investment in such a portfolio company. Furthermore, because the Adviser may have an incentive to show realized returns in connection with other fundraising activities (including fundraising for a successor fund) or because a Fund's term may expire before the end of another Fund's term, the Funds may dispose of the investment at different times. Investments disposed of at different times will likely be disposed of at different valuations and, as a result, the Funds will likely realize different returns. These variations in timing may be detrimental to the Funds.

The Adviser may, but is not obligated, to take certain steps to mitigate the conflicts of interests that arise in connection with the types of investments and transactions discussed herein. For instance, the Adviser may impose limitations on the percentage ownership of debt investments made by a Fund, impose voting requirements with respect to a Fund (for instance, require voting with a lead lender or the majority of a syndicate or abstention from voting in certain distressed situations), require third-party valuations and/or fairness opinions with respect to pricing, divesting investments, and/or other mitigating steps the Adviser determines to be appropriate in its discretion. In addition, the Adviser may (but is not obligated to) seek the consent of a Fund's advisory committee with respect to certain decisions and transactions related to a portfolio company in which one or more Funds hold an investment. Any such determination by a Fund's advisory committee shall be deemed to be consent and approval of any such conflicted transaction on behalf of the Fund. In certain situations, a Fund may make an investment in debt investments alongside an unaffiliated investor (which may or may not be part of a syndicate). In such situations, the Adviser may require such Fund to take actions consistent with those taken by the unaffiliated investor to mitigate certain conflicts. However, it is not expected that a Fund will make investments alongside an unaffiliated investor with which it could take (or refrain from taking) actions to mitigate conflicts and thus, the Adviser will generally be making decisions on appropriate actions with respect to such Fund.

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

The Adviser or an affiliate act as the investment adviser to the Funds and as a result, it receives Advisory Fees and has the potential to earn Carried Interest with respect to such vehicles, regardless

of any conflicts. Therefore, the Adviser can benefit (economically or otherwise) from certain decisions made with respect to such conflicts and may be incentivized to resolve a conflict in a manner that is beneficial to the Adviser or to resolve a conflict in favor of the Fund from which it derives a higher economic benefit.

Adviser personnel are also expected to represent a portion of the ownership of the Funds and will therefore face the same conflicts as outlined above, in the events of investments by the Funds in different levels of the same portfolio company, e.g., in the event of a default by a portfolio company under debt held by one Fund in which another Fund holds an equity investment. If such a default were to occur, the Adviser will be required to manage this conflict and there can be no assurance that such conflict will be resolved in a Fund's favor.

The application of the Adviser's policies and procedures are expected to vary based on the particular facts and circumstances surrounding each investment by one or more Funds in different classes of an issuer's capital structure (as well as across multiple issuers or borrowers within the same overall capital structure) and, as such, there may be a degree of variation and potential inconsistencies, in the manner in which potential or actual conflicts are addressed. In certain circumstances, these conflicts may be resolved in a manner that is adverse to a Fund, which would impair the ability of a Fund to achieve its investment objective.

#### *Side Letters*

The Adviser, on behalf of the Funds, may from time to time enter into letter agreements or other similar agreements (collectively, "Side Letters") with one or more investors, which provide such investors with additional or different or preferential rights (including but not limited to co-investment rights, information and reporting rights, excuse or exclusion rights, waiver of certain confidentiality obligations, co-investment rights, certain rights or terms necessary in light of particular legal, regulatory or policy requirements of a particular investor, additional obligations and restrictions with respect to structuring particular investments in light of the legal and regulatory considerations applicable to a particular investor, veto rights and liquidity or transfer rights) than such investors have pursuant to the Organizational Documents. As a result of such Side Letters, certain investors may receive additional benefits that other investors will not receive. The Adviser, on behalf of the Funds, will not be required to notify any or all of the other investors of any such Side Letters or any of the rights or terms or provisions thereof, nor will the Adviser, on behalf of the Funds, be required to offer such additional or different rights or terms to any or all of the other investors. The Adviser, on behalf of the Funds, may enter into such Side Letters with any party as the Adviser may determine, in its sole and absolute discretion, at any time. The other investors will have no recourse against the Funds, the Adviser, the applicable Fund's general partner, or any of their affiliates in the event that certain investors receive additional or different rights or terms as a result of such Side Letters, some of which rights may impact the rights and/or increase the obligations of other investors.

#### *Follow-On Investments*

Investments to finance follow-on acquisitions may present conflicts of interest, including determination of the equity component and other terms of the new financing as well as the allocation of the investment opportunities in the case of follow-on acquisitions by one Fund in a portfolio company in which another Fund had previously invested (or vice versa). In addition, a Fund may participate in releveraging and recapitalization transactions involving portfolio companies in which another Fund has already invested or will invest (or vice versa). Conflicts of interest may arise,

including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms.

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

#### *Portfolio Resources Group and Third-Party Operations Support Providers*

The portfolio companies will from time to time retain the Portfolio Resources Group, whose members are employed by Vistria PRG, LLC, an affiliated entity of the Adviser. The Portfolio Resources Group generally include consultants (including specialized consultants, external executives, industry specialists, industry advisory roundtable members and similar professionals). In addition, the Adviser, the Funds and/or the portfolio companies may retain certain other individuals that have relevant experience in the Adviser's targeted industries ("Senior Advisors") and individuals that have significant transactional capabilities and extensive expertise and operating partners with significant operating experience in building market leading companies ("Operating Partners"), which may include affiliates of the Adviser, employees and former employees of such affiliates, portfolio companies of other of the Adviser's funds, third party consultants (including specialized consultants, external executives, industry specialists, industry advisory roundtable members and similar professionals), "operating partners" or "senior advisors". For purposes of this brochure, Senior Advisors and Operating Partners are collectively referred to herein as "Third Party Operations Support Providers." The Portfolio Resources Group and Third-Party Operations Support Providers are engaged to provide high priority strategic and operational support, regulatory support and similar services, specialized operations and consulting services and similar or related services to, or in connection with, one or more portfolio companies in relation to the identification, acquisition, holding, improvement and disposition of such portfolio companies ("Operations Support Services"). These services may be high-level insight or extensive day-to-day roles, and may include support to the portfolio companies regarding, among other things, the company's management (including serving in management positions or participating in determining corporate strategy), sales, marketing, regulatory issues, the company's supply chain, revenue and margin management (including determining sales/marketing strategy and retail strategy), manufacturing, data intelligence, finance (including generating metrics and reporting and business restructuring), human capital management (including recruiting personnel and determining executive/incentive compensation and other human resources matters), information technology, acquisition, integration, rationalization and/or other similar operations services, acquisition and other due diligence, corporate communications, customer service, sustainability (including, strategy, policy and reporting development), real estate matters and similar operational matters. It is expected that the services provided by the Third-Party Operations Support Providers will expand over time. Third Party Operations Support Providers may be subject to

contractual obligations to exclusively provide certain services to the portfolio companies. These arrangements may be memorialized in a formal written agreement or may be informal and are negotiated individually, depending upon the anticipated services to be provided by the Third-Party Operations Support Providers. In certain cases, members of the Portfolio Resources Group and Third-Party Operations Support Providers have attributes of Adviser personnel (for instance, they may have dedicated office space, receive Adviser administrative support services, participate in general meetings or events for Adviser personnel, have Adviser e-mail addresses or business cards), even though they are not employees, affiliates or personnel of the Adviser. Members of the Portfolio Resources Group and Third-Party Operations Support Providers may be offered the ability to co-invest alongside the Funds, including in investments in which such member of the Portfolio Resources Group and/or the Third Party Operations Support Provider, as applicable is involved or participates in the management thereof, and may also receive Carried Interest.

Pursuant to the Organizational Documents of the Funds, fees and expenses associated with the Portfolio Resources Group and Third-Party Operations Support Providers (“Operations Expenses”) are paid and/or reimbursed by the Fund and/or portfolio companies. Operations Expenses will be determined at the discretion of the general partner taking into account the particular services provided by the Portfolio Resources Group and/or the Third-Party Operations Support Providers. Operations Expenses with respect to the Portfolio Resources Group generally includes reimbursement of an allocable portion of an Portfolio Resources Group’s member’s compensation (including, without limitation, salary, bonus, payroll taxes and benefits) and overhead (including, without limitation, rent, property taxes and utilities allocable to the workspaces), a profits or equity interest in the Fund and/or portfolio company or other incentive-based compensation (e.g., Carried Interest) to the member of the Portfolio Resources Group, and will otherwise be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the Portfolio Resources Group, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such companies. Notwithstanding the foregoing, the general partner does not intend that reimbursement of a Portfolio Resource Group member’s compensation will result in a profit to the Portfolio Resources Group. In addition, Operations Expenses with respect to Third-Party Operations Support Providers typically include an annual fee or retainer, a discretionary bonus, a success fee (in the form of cash or equity) based on pre-determined targets or milestones, a profits or equity interest in the Funds and/or portfolio company or other incentive-based compensation (e.g., Carried Interest) to the member of the Third-Party Operations Support Provider, and will otherwise be determined according to one or more methods, including amounts charged by other providers for comparable services. Operations Expenses with respect to the Portfolio Resource Group and Third-Party Operations Support Providers are also incurred in respect of portfolio companies prior to the closing of the investment. In the event a Third Party Operations Support Provider is paid an annual retainer, the value provided to the relevant Fund and/or portfolio company by such Third Party Operations Support Provider may vary year to year and there can be no assurance that the annual retainer paid will commensurate with the value provided by the Third Party Operations Support Provider. To the extent any such Operations Expenses are payable to the Portfolio Resources Group or a Third-Party Operations Support Provider by a portfolio company, such Operations Expenses will not reduce any fees otherwise payable to the Adviser or its affiliates. The general partner’s good faith determination as to whether a service is one provided by the Portfolio Resources Group and/or Third-Party Operations Support Provider, the categorization of any fees and expenses (e.g., as Operations Expenses) and the allocation of such fees and expenses shall be binding on the Funds and the investors. Over time, certain existing and former employees of the Adviser (including senior personnel) may

transition to the Portfolio Resources Group or may transition to becoming a Third-Party Operations Support Provider, which may shift the burden of compensation such persons from the Adviser to the Funds and/or their portfolio companies.

In addition, the Portfolio Resources Group and Third-Party Operations Support Providers are expected to provide consulting and other operational services to entities other than the Adviser and its affiliate, the Funds and the portfolio companies. Any fees received from these unaffiliated entities do not reduce the Advisory Fee and may result in a profit to the Portfolio Resources Group. Such other activities may also result in a conflict of interest. To the extent the Portfolio Resources Group may charge higher fees from an unaffiliated entity, the Portfolio Resources Group may have an incentive to allocate more time, functions or services to such entities. Furthermore, the Portfolio Resources Group and Third-Party Operations Support Providers may, from time to time, provide similar services to companies that are customers of, competitors with, or suppliers to, current portfolio companies and advice, strategy or other operational support given to such unaffiliated entities may have an adverse impact on the portfolio companies and therefore, the Funds.

Although the use of the Portfolio Resources Group, Third-Party Operations Support Providers and allocation of Operations Expenses paid to them may subject the Adviser and its affiliates to potential conflicts of interest, the Adviser believes any such potential conflicts of interest are mitigated by the expected savings to the portfolio companies (and, in turn, the funds that will be applied if the cost of the Portfolio Resources Group services is lower than market rates for the services provided, or if the services provided by the Portfolio Resources Group members are consistent with the business strategy the Adviser has for the relevant portfolio company. It may be difficult to distinguish services provided by the Third-Party Operations Support Providers from the investment advisory services provided to the Funds by the Adviser and its affiliates.

#### *Cross-Transactions*

In certain cases, the Adviser may, from time to time cause a Fund to purchase investments from another Fund, or it may cause a Fund to sell investments to another Fund. Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, a Fund may not receive the best price otherwise possible, or the Adviser might have an incentive to improve the performance of a Fund by selling underperforming assets to a Fund in order, for example, to earn fees. Additionally, in connection with such transactions, the Adviser, its affiliates and/or their professionals (i) will, from time to time, have significant investments, or intentions to invest, in the Fund that is selling and/or purchasing such an investment or (ii) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment).

#### *Principal Transactions*

Section 206 under the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Very generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a “principal transaction”), the adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client’s consent to the transaction. In connection with the Adviser’s management of the Funds, the Adviser and its affiliates may, in limited circumstances, engage in principal transactions. The Adviser has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including those disclosures required by Section 206 of the Advisers Act be made to the

Funds regarding any proposed principal transactions and that any required prior consent to the transaction be received.

### *Advisory Committee*

A Fund's advisory committee may not have the same interests as all investors. Each member of a Fund's advisory committee will have no duty to any investor other than the investor appointing such member. A conflict of interest may exist when some, but not all investors are permitted to designate a member to the advisory committee. A Fund's advisory committee may also have the ability to approve conflicts of interests with respect to the Adviser and the Funds which could be disadvantageous to the investors, including those investors who do not designate a member to the advisory committee. Representative of a Fund's advisory committee may have various business and other relationships with the Adviser and its partners, employees and affiliates. These relationships may influence the decisions made by such members of the advisory committee. Certain transactions by the Funds that would otherwise be prohibited by a Fund's Organizational Documents, including certain transactions that involve potential conflicts of interest between the Funds, may be affected with the approval of the advisory committee. Some or all the members of a Fund's advisory committee will likely also be on the advisory committee of such other Fund with which there is a potential conflict or will likely represent investors that have an interest in both Funds. Such advisory committee members will not be precluded from participating in discussions with respect to, or from voting on, such transactions that involve potential conflict of interests, including between the Funds. Furthermore, a Fund's advisory committee cannot be expected to be expert in investing in the education, healthcare or financial services industries, and certain of its determinations may, in fact, adversely affect the performance of the Funds. The Funds will also indemnify members of the advisory committee for any losses or damages incurred in connection with serving on the advisory committee so long as such losses or damages did not result from such member's fraud.

### *Positions with Portfolio Companies*

Adviser Personnel serve as directors of, or observers on boards with respect to, certain portfolio companies. While conflicts of interest may arise if such Adviser Personnel's fiduciary duties as a director conflict with those of the Funds, it is expected that the interests will be aligned. In addition, to the extent an Adviser Personnel serves as a director on the board of more than one portfolio company, such Adviser Personnel's fiduciary duties among the two portfolio companies may create a conflict of interest. Additionally, such employees are required to remit any remuneration they may receive as directors to the Funds. In addition, Adviser Personnel of the Adviser may leave the employment of the Adviser or its affiliates and become an officer or employee of a portfolio company. Adviser Personnel are prohibited from receiving consulting, management or other fees personally from portfolio companies.

Decisions made by a director may subject the Adviser, an affiliate or 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.

Adviser Personnel serving as a director to a portfolio company owe a fiduciary duty to the portfolio company, on the one hand, and the relevant Fund, on the other hand, and such Adviser Personnel may be in a position where they must make a decision that is either not in the best interest of the Fund, or not in the best interest of the portfolio company. Adviser Personnel serving as directors may make decisions for a portfolio company that negatively impact returns received by a Fund.

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

In addition, the Adviser may continue to receive other fees from a portfolio company after a Fund has fully exited its ownership interest (for instance, in respect of consulting arrangements or group purchasing arrangements). In such circumstances, any fees received with respect to such exited investment is not subject to the Advisory Fee offset described above, or otherwise shared with the Funds and/or investors.

In connection with co-investment opportunities, some co-investors (which may include one or more investors in the Funds) are often provided with the opportunity to serve on the board of directors or board of advisors of the applicable portfolio company. Positions on board of directors or board of advisors of such portfolio companies provide such co-investors with voting rights, access to information and the ability to potentially influence the operations and decision-making of the portfolio company that are not available to other investors in the Funds. In certain cases, co-investors have contractual rights that require the approval of the co-investors for certain major actions relating to the applicable portfolio company, such as a sale of the company or the issuance of additional equity by the company. Such rights may limit the ability of the Adviser to take actions with respect to the portfolio company that the Adviser considers to be in the best interests of the Funds.

Certain personnel of the Adviser or its affiliates may also be temporarily seconded to or otherwise engaged by certain portfolio companies on either a full-time or a part-time basis to provide services to such portfolio companies. In such instances, the portfolio companies will pay such person's directors' fees, salaries, consultant fees, other cash compensation, stock options, other equity grants or other compensation and incentives and may reimburse the Adviser or such persons for any travel costs or other out-of-pocket expenses incurred in connection with the provision of their services. The Adviser may also advance compensation to seconded employees and be subsequently reimbursed by the applicable portfolio companies. Any compensation customarily paid directly by the Adviser or its affiliates to such persons will typically be reduced to reflect amounts paid directly or indirectly by the portfolio company even though the Management Fee paid or carried interest distributed by the Fund to the Adviser or its affiliates will not be reduced. Any amounts paid to such persons by a portfolio company (or paid by the Adviser and reimbursed by a portfolio company) will not reduce the Advisory Fee otherwise payable to the Adviser or any Carried Interest otherwise payable to the Adviser or its affiliates. All or a portion of any such compensation and incentives will be borne by a Fund, directly or indirectly, via its ownership interest in such portfolio company. In certain instances, whether an individual who provides services to a portfolio company should be categorized as a member of the Portfolio Resources Group, an employee of the Adviser, a former employee of the Adviser or a seconded employee may not be clear. In such cases, the Adviser will make a determination in good faith based on an evaluation of the facts and circumstances.

#### *Fund Level Borrowing*

A Fund from time-to-time borrows funds or enter into other financing arrangements for various reasons, including to pay fund expenses, to pay management fees, to make or facilitate new or follow-on investments (including borrowings pending receipt of capital contributions from investors), to



make payments under hedging transactions, to cover any shortfall resulting from an investor's default or exclusion. If a Fund borrows in lieu of calling capital to fund the acquisition of an investment, the borrowing would be used for all limited partners in a Fund on a pro-rata basis, including the general partner. A Fund will also utilize subscription facilities to benefit co-investment parties. For example, a Fund will borrow to fund a co-investment party's pro rata share of an investment or expense related to an investment. While the Adviser expects that all parties (including the general partner and any co-investment party) will bear its pro rata share of the interest expenses, but not necessarily origination and other costs allocable to the extension of credit, a Fund will bear a disproportionate amount of the credit risk in incurring the debt on behalf of the other parties.

In addition, credit facilities for certain Funds are available to provide borrowed funds directly to the portfolio companies of such Funds, in which case such borrowed funds would be guaranteed by such Funds. In such instances the Funds would bear the sole liability for the borrowed funds in the event of a default, and as a result, such portfolio company and any of its other investors (including direct investments by the general partner and any co-investor, including internal co-investment vehicles) benefit from the credit risk taken by the Fund's guarantee.

To the extent the Fund uses borrowed funds in advance or in lieu of capital contributions, the Fund's investors generally make correspondingly later capital contributions, but the Fund will bear the expense of interest on such borrowed funds. As a result, the Fund's use of borrowed funds will impact the calculation of net performance metrics (to the extent that they measure investor cash flows) and may make net IRR calculations higher than it otherwise would be without fund-level borrowing as these calculations generally depend on the amount and timing of capital contributions. While the Fund will bear the expense of borrowed funds, such borrowings can also increase the Carried Interest received by the Fund's general partner or will result in the Fund's general partner receiving Carried Interest earlier than it would otherwise have by decreasing the amount of distributions from the Fund that are required to be made to investors in satisfaction of any preferred return. The general partner therefore has a conflict of interest in deciding whether to borrow funds because the general partner may receive disproportionate benefits from such borrowings.

In addition, the batching of capital calls may amplify the magnitude of potential defaults by investors as a result of there being fewer but larger capital calls. To the extent a subscription facility is due upon demand by a lender (such as upon an event of default or otherwise), such a demand may be issued at an inopportune time at which liquidity is generally constrained, potentially resulting in greater defaults as a result of such liquidity constraints and/or investors facing similar capital calls in multiple funds and being unable to satisfy all such demands simultaneously. Moreover, the existence of a subscription facility may impair an investor's ability to transfer its interest in a Fund as a result of restrictions imposed on such transfers by the lender.

Borrowing by the Fund will generally be secured by capital commitments made by the Limited Partners to the Fund and/or by the Fund's assets, and documentation relating to such borrowing may provide that during the continuance of a default under such borrowing, the interests of the investors may be subordinated to such Fund-level borrowing. Moreover, tax-exempt investors should note that the use of borrowings by the Fund may cause the realization of unrelated business taxable income (UBTI).

### *Umbrella Insurance Premiums*

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

### *Distribution of In-Kind Securities*

The general partner may cause a Fund to distribute the general partner’s share of securities resulting from an investment disposition by a Fund to the general partner or its affiliates (including managing directors and employees) in kind, while disposing of limited partners’ share of such securities and distributing the net cash proceeds of such sale of securities to the limited partners. This ability creates conflicts of interest between the general partner and the limited partners, because the general partner may have an incentive to cause a Fund to exit an investment at a time that may result in limited partners receiving a lesser return on such investment than would be the case if the general partner was prohibited from receiving its proceeds from investments in kind (or was otherwise required to receive its share of investment proceeds in the same form as limited partners). Furthermore, the general partner, or its affiliates, may receive distributions in kind from an investment disposition. In the event the general partner, or its affiliates, receive such a distribution, the general partner will generally act in its own interest with respect to its share of securities and may determine to sell the distributed securities (which may include selling its securities prior to the time at which the investor sells its distributed securities), or hold on to the distributed securities for such time as the general partner shall determine. The ability of the general partner to act in its own interest with respect to such distributed shares creates a conflict of interest between the general partner or affiliate, as an adviser to the Funds, and the Funds.

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

### *Material, Non-Public Information*

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

### *Other Potential Conflicts*

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

## **ITEM 12. BROKERAGE PRACTICES**

As Funds invest primarily in private equity and credit, the Adviser anticipates that investments in publicly traded securities will be infrequent occurrences (e.g., money market instruments pending investment in a portfolio company, securities held as a result of initial public offerings of portfolio companies, going-private transactions, etc.). However, to meet its fiduciary duties to the Funds, the Adviser has adopted written policies to address issues that might arise with respect to purchasing, holding, and selling publicly traded securities.

### **Selection of Brokers and Dealers**

For each of the Funds, the Adviser has, subject to the direction of such Fund's general partner, if applicable, sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker or dealer, if any, to be used to effect transactions. In placing each transaction for a Fund involving a broker-dealer, the Adviser will seek "best execution" of the transaction except to the extent it may be permitted to pay higher brokerage commissions in exchange for brokerage and research services (as discussed below). "Best execution" means obtaining for a

Fund account the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances of the transaction and the reputability and reliability of the executing broker or dealer. Best execution is not limited solely to the consideration of the best available commission rate.

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

In order to monitor best execution, the Adviser will periodically monitor broker-dealers to assess the quality of execution of brokerage transactions effected on behalf of each Fund.

The Adviser does not receive "soft dollars" in connection with its use of broker-dealers.

### **Aggregation of Trades**

The Adviser and its affiliates may aggregate (or bunch) the orders of more than one Fund for the purchase or sale of the same publicly traded security. The Adviser often employs this practice because larger transactions may enable them to obtain better overall prices, including lower commission costs, mark-ups, or mark-downs. The Adviser and its affiliates may combine orders on behalf of Funds with orders for other Funds for which it or its affiliates have trading authority, or in which it or its affiliates have an economic interest. In such cases, the Adviser and its affiliates generally aggregate trade orders for publicly traded securities so that each participating Fund will receive the average price for each execution of a transaction.

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

## **ITEM 13. REVIEW OF ACCOUNTS**

### **Oversight and Monitoring**

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

## **Reporting**

Investors in the Funds typically receive, among other things, a copy of audited financial statements of the relevant Fund following the fiscal year end of such Fund, as well as quarterly performance reports following each fiscal quarter end. The Adviser and the applicable general partner, if any, will from time to time, in their sole discretion, provide additional information relating to such Fund to one or more investors in such Fund as they deem appropriate.

### **ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION**

For details regarding economic benefits provided to the Adviser by non-clients, including a description of related material conflicts of interest and how they are addressed, please see Item 11 above.

While not a client solicitation arrangement, the Adviser has in the past, and may from time to time in the future, engage one or more persons to act as a placement agent for a Fund in connection with the offer and sale of interests to certain potential investors. Such persons generally will receive a fee in an amount equal to a percentage of the capital commitments for interests made by such potential investors to such Fund that are subsequently accepted. Advisory Fees received by the Adviser are generally reduced by the amount of such fees paid by the Fund. As some Funds do not pay Advisory Fees, any such reduction will not benefit such Funds.

### **ITEM 15. CUSTODY**

Item 15 is not applicable to the Adviser.

### **ITEM 16. INVESTMENT DISCRETION**

Investment advice is provided directly to the Funds, subject to the direction and control of the general partner of each Fund and not individually to the investors in the Funds. Services are provided to the Funds in accordance with the Advisory Agreements with the Funds and/or Organizational Documents of the applicable Fund. Investment restrictions for the Funds, if any, are generally established in the Organizational Documents of the applicable Fund.

### **ITEM 17. VOTING CLIENT SECURITIES**

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

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

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

Funds generally cannot direct the Adviser’s Vote.

The Adviser’s proxy guidelines require the CCO or his designee to review all proxies related to a Fund’s publicly traded securities prior to submission, and thus the Adviser will ensure that it or an affiliate is the designated party to receive proxy voting materials from portfolio companies or intermediaries. The CCO coordinates the receipt of each proxy, the communication of the votes to third parties, and the maintenance of all supporting documentation.

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

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

In the event of a material conflict of interest, the Adviser will disclose the conflict regarding the proxy vote to the Fund’s investment advisory committee members for a vote. Any documents prepared in the resolution of material conflict issues will be retained by the Adviser’s CCO.

Copies of relevant proxy logs, identifying how proxies were voted in connection with a Fund and copies of proxy voting policies are available to any client or prospective client upon written request to 312-626-1100.

## **ITEM 18. FINANCIAL INFORMATION**

Item 18 is not applicable to the Adviser.

## **ITEM 19. REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

Item 19 is not applicable to the Adviser.