



# VICTOR

CAPITAL PARTNERS

**Form ADV**

**Part 2A Brochure**

**March 29, 2024**

**Victor Capital Partners**

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This brochure provides information about the qualifications and business practices of Victor Capital Partners Management Company, LP (d/b/a Victor Capital Partners). If you have any questions about the contents of this brochure, please contact us at 212-202-3340 or [contact@victorcapitalpartners.com](mailto:contact@victorcapitalpartners.com). 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 Victor Capital Partners also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration with the SEC does not imply a certain level of skill or training.

## **ITEM 2- MATERIAL CHANGES**

This annual amendment to the firm brochure (the “Brochure”) amends our most recent Brochure dated December 12, 2023. This annual amendment updates the description of the business practices of Victor Capital Partners Management Company, LP and its affiliates.

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#### **ITEM 4- ADVISORY BUSINESS**

This brochure describes the advisory business of Victor Capital Partners Management Company, LP, a successor to Victor Capital Group, LLC (d/b/a Victor Capital Partners; collectively with its advisory affiliates, “Victor Capital” or the “Firm”). Victor Capital was founded in 2015 by Douglas R. Korn and operates out of its principal place of business in New York, New York. Victor Capital provides discretionary advisory services to private investment funds (each, a “Fund”; collectively the “Funds” or “Clients”). An affiliate of Victor Capital acts as the manager or general partner of each Fund (each a “Manager”; collectively with any other affiliated advisory entities of Victor Capital Partners Management Company, LP, the “Managers”).

Victor Capital’s Funds include the following:

- VP Audobon Management, LLC (“VP Audobon”);
- VP Compliance Management, LLC (“VP Compliance”);
- VP Insulate Management, LLC (“VP Insulate”);
- VP Safety Management I LLC (“VP Safety I”);
- VP Safety Management II LLC (“VP Safety II”; together with VP Safety I, “VP Safety”); and
- VP Tender Management, LLC (“VP Tender”; collectively with VP Audubon, VP Compliance, VP Insulate and VP Safety, the “SPVs”).

The following Managers are affiliated with Victor Capital Partners Management Company, LP:

- VCG Audobon Manager, LLC (“Audobon Manager”);
- VCG Compliance Manager, LLC (“Compliance Manager”);
- VCG Insulate Manager, LLC (“Insulate Manager”);
- VCG Safety Manager, LLC (“Safety Manager”);
- VCG TPI Manager, LLC (“Tender Manager”; collectively with Audubon Manager, Compliance Manager, Insulate Manager and Safety Manager, the “SPV Managers”); and
- Victor Capital Partners Fund II GP, LP (the “Fund II Manager”).

The powers of each individual Fund and the business and affairs of each Fund will be managed under the direction of the respective Manager acting alone or under the direction of a board of managers. Victor Capital and the Managers (collectively referred to herein as “Victor Capital”) are principally owned by Mr. Korn.

Victor Capital seeks to provide private equity capital and resources to leading middle market businesses with differentiated brands in the specialty consumer, industrial technology, and business services sectors. The Firm uses its capital and resources to invest in and partner with companies that it believes have valuable brands and resilient business models that are capital efficient and have outsized growth potential. Victor Capital offers their portfolio companies tools and resources to help strengthen brands, develop innovative products and services, drive productivity, build on core competencies, and enhance growth through organic and M&A-related initiatives. The investments are in the form of long-term private equity interests that are typically held by special purpose vehicles that in turn are held by the respective Fund directly.

The Firm's advisory services to the Funds are further described In their respective governing documents and are also generally described below under "Methods of Analysis, Investment Strategies and Risk of Loss." The Funds and the Firm are permitted to enter into consulting arrangements, side letter arrangements or other similar agreements with investors. Victor Capital is likely to have its own economic and/or other business incentives to provide certain terms to certain limited partners (e.g., based on commitment amount to a Fund or the timing thereof, the ability of a limited partner to provide sourcing or other services to Victor Capital, its affiliates and personnel or the Funds, or the potential to establish, recognize, strengthen or cultivate relationships that have the potential to provide longer-term benefits to Victor Capital, its affiliates and personnel, or the Funds). For more information regarding provisions that allow an investor's investment to be altered or varied in certain circumstances, please see Item 8.

As of December 31, 2023, Victor Capital managed approximately \$286,573,000 in Client assets, all managed on a discretionary basis. The Firm does not currently manage any non-discretionary assets.

#### **ITEM 5- FEES AND COMPENSATION**

**The fees and expenses applicable to each Fund are described in each Fund's organizational documents. Investors should review the relevant organizational documents to fully understand the total amount of fees and expenses that may be paid.**

Victor Capital generally receives Advisory Fees and/or Performance Compensation (each defined below) or similar performance-based remuneration from its Clients. A Client and/or any of their respective portfolio companies are also permitted to make other payments to the Firm for services provided in respect of any portfolio company (or intermediate entity) or other investment of any Client (collectively, "Portfolio Investments"), which are expected to reduce the Advisory Fees payable to the Firm with respect to the relevant Client where such Client pays Advisory Fees and in certain circumstances as further described in the relevant organizational documents.

Victor Capital generally does not receive a management or advisory fee ("Advisory Fee") in connection with the advisory services provided to the SPVs. However, with respect to advisory services provided to other Funds, Victor Capital is eligible to receive Advisory Fees calculated as an annual rate based upon a set percentage of assets under management and subject to reduction during the life of a Fund as further described in the relevant organizational documents. Advisory Fees paid by a Fund are indirectly borne by third party investors in the applicable Fund. Advisory Fees are typically deducted from any available cash assets of the relevant Fund and to the extent there are not available cash assets, the relevant Fund will draw capital from investors for the purposes of paying any such Advisory Fees. Advisory Fees are generally payable quarterly in advance. Upon a date specified in a Fund's governing documents (the "Stepdown Date"), the Advisory Fee will be reduced and will equal 2.0% of (a) the aggregate funded commitments plus the aggregated amount of unapplied waived Advisory Fee, as reduced by (b) permanent write downs and distributions constituting returns of capital.

As is generally the case in private equity funds, a Fund's governing documents provide that a Fund's Advisory Fees will be calculated and charged on a basis that generally is not tied to the Fund's then-current net asset value. As further specified in a Fund's governing documents, from the effective date of the relevant Fund until the Stepdown Date, Advisory Fees generally will be charged based on a formula tied to the amount of the relevant Fund's aggregate Commitments. Further, after the Stepdown Date, Advisory Fees generally will be charged and calculated based on a formula tied to the amount of investment contributions (including, where applicable, a Fund borrowing component) made by the relevant Fund relating to the Fund's aggregate investment(s) in its portfolio companies that have not been realized, disposed of or completely written off for U.S. federal income tax purposes (such disposed of or written-off investments, "Impaired Value Investments").

Under a Fund's governing documents, where the fair market value of an investment exceeds the total amount of investment contributions relating to such investment, post-Stepdown Date Advisory Fees will not be calculated based upon such appreciated value, and will instead continue to be calculated based on the amount of such investment contributions. Conversely, a Fund's governing documents do not require Advisory Fees to be reduced or refunded following the occurrence of a writedown, decrease (including a significant decrease) in fair value or other event not constituting a complete realization, such as a reorganization, roll-over investment in connection with a sale or dividend distribution, except in the case of investments meeting the relevant Impaired Value Investment standard under a Fund's governing documents. For the avoidance of doubt, following the Stepdown Date, if the fair market value of an Impaired Value Investment is less than the total amount of investment contributions relating to such Impaired Value Investment, then the amount of Advisory Fees otherwise payable relating to such investment will be reduced solely based on the ratio of the fair market value of each relevant remaining investment(s) as compared against the amount of total investment contributions relating to such investment(s) as of the date of the relevant event.

As a result, and as is generally the case for private equity funds, the amount of Advisory Fees generally will not correspond with fluctuations in the net asset value of individual investments or of a Fund, including following the relevant investment period, and will not be reduced in connection with any write downs (whether temporary or permanent), except in the case of Impaired Value Investments.

The precise amount of, and the manner and calculation of, the Advisory Fees are set forth in each Client's governing documents received by each investor prior to investment in a Fund. Advisory Fees are generally subject to modification, waiver or reduction by Victor Capital in its sole discretion, and vary from one Client to another as well as among investors in the same Fund, including for strategic or large investors and officers, directors, personnel or other affiliates of Victor Capital.

In addition to Advisory Fees, a portion of the profits of a Fund are eligible to be allocated to Victor Capital or its affiliate as performance-based compensation (e.g. carried interest) ("Performance Compensation"). Performance Compensation that is paid by a Fund is indirectly borne by investors in the relevant Fund, including any feeder fund that invests in a Fund. The precise amount of, and the manner and calculation of the Performance Compensation is set forth in each Client's governing documents received by each investor prior to investment in a Fund. Advisory Fees are generally subject to modification, waiver, or reduction by Victor Capital in its sole discretion, and can vary from one Client to another as well as among investors in the same Fund, including for strategic or large investors and officers, directors, personnel or affiliates of Victor Capital.

In addition to Advisory Fees and Performance Compensation fees, as described in the relevant Fund's organizational documents, Victor Capital is permitted to receive fees or other compensation for monitoring, transaction-related services, financial advisory services or other services provided by the Firm to an actual or prospective investment ("Other Fees") of such Fund. The scope and composition of Other Fees will vary across Funds based on the terms of the organizational documents and will differ over time. Where a Fund pays an Advisory Fee, these Other Fees will typically offset a portion of such Advisory Fee paid by such Fund in accordance with and as further described in the relevant organizational documents (e.g., 80%). However, these Other Fees will not reduce any other compensation received by Victor Capital.

Pursuant to the terms of certain monitoring arrangements with Portfolio Investments, Victor Capital is also eligible to receive reimbursement of reasonable expenses it incurs with respect to monitoring services provided to such Portfolio Investments including (i) out-of-pocket fees and disbursements of auditors, attorneys, accountants, and other advisors or consultants; (ii) out-of-pocket costs of any outside services of independent contractors such as printers, couriers, business publications or similar services; (iii) any expenses relating to

accounting, tax compliance and reporting and regulatory compliance and (iv) all other out-of-pocket expenses actually incurred by the Firm and/or its personnel in rendering the monitoring services.

Subject to the organizational documents of the applicable Fund, the Firm is permitted (in its sole discretion), to pay a portion of an Other Fee received from an actual or prospective Portfolio Investment to a third party, such as a consultant, advisor, finder, broker, loan servicer, other service provider and/or investment bank. In such event, the third-party fee is not a fee that the Firm is entitled to retain and therefore, the Firm is not required under the terms of the applicable organizational documents to share third party fees with the Funds and such fees would not offset any Advisory Fee payable by such Funds.

As a matter of practice, Victor Capital is typically paid fees of the type referred to in the preceding paragraphs from, on behalf of or with respect to co-investors in an investment. The receipt of such fees will not reduce the Advisory Fee payable by any Fund(s) that have also invested in such investment, and, as a result, a Fund will, in most cases, only benefit with respect to the relevant allocable portion of any such fee and not the portion of any fee related to: (i) General Partner or affiliated partner commitments; or (ii) co-investors or potential co-investors (which could include co-investment vehicles managed by Victor Capital, service providers, third parties, current or former portfolio company management or personnel, sellers that have rolled their interest or reinvested proceeds in the portfolio company and/or others); or (iii) the value of profits, participation or equity interests in or relating to the relevant portfolio company, including interests owned by current or former portfolio company management, which have the potential to be significant. Each of the foregoing conditions is expected to reduce the amount of Other Fees otherwise available to be offset against Advisory Fees, resulting in a potential material benefit to Victor Capital over the life of the relevant Fund, and the existence of such potential benefit creates an incentive for Victor Capital to seek to increase such amounts.

Additionally, as further described herein and in the governing documents, Victor Capital, from time to time employs, uses or retains certain senior advisors, operating advisors, operating partners, advisers, consultants, and other similar professionals who are not personnel or affiliates of the Firm (collectively, “Operating Advisors”) to provide services to (or with respect to) one or more Funds or certain current or prospective portfolio companies in which one or more Funds invest. Such Operating Advisors generally provide services in relation to the identification, acquisition, holding, improvement and disposition of portfolio companies, including operational aspects of such companies. In certain circumstances, these services also include serving in management or policy-making positions for portfolio companies. Operating Advisors are permitted to receive compensation, including, but not limited to, cash fees, retainers, discretionary bonuses (whether or not based on pre-determined milestones), transaction fees, a profits, participation or equity interest in a portfolio company or holding company, incentive equity and stock awards, profits or equity interests in one or more Funds or Managers, remuneration from Victor Capital and/or its Funds or affiliates, guaranteed minimums or other compensation, the amount of which typically is determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of such Operating Advisors, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts believed to be charged by other providers for comparable services and/or a percentage of cash flows from such portfolio company. Compensation in the form of profits or equity interests in a portfolio company or intermediate holding company generally has a dilutive impact on the relevant Fund’s investment and has the potential to result in economic effects greater than the original amount of compensation, and the relevant Fund typically will bear the costs of all Operating Advisor compensation as well as fees, costs and expenses of structuring Operating Advisor arrangements. Operating Advisors also generally will be reimbursed for certain travel and other costs in connection with their services. As described above, no such amounts will offset or reduce the Advisory Fee. The use of Operating Advisors subjects the Managers to potential conflicts of interest, as discussed under “Conflicts of Interest,” below.

## Fund Expenses

In addition to the Advisory Fee and carried interest payable to Victor Capital, each Fund bears certain expenses. As set forth more fully in the governing documents, a Fund bears all fees, expenses, liabilities and obligations relating to the Fund's (and its subsidiaries' and intermediate entities') activities, investments and business to the extent not reimbursed by a portfolio company or applied to reduce Advisory Fees, including: (i) activities with respect to the origination, identification and sourcing of investment opportunities for a Fund, including attending and sponsoring industry conferences and events, meeting with consultants, finders, broker-dealers, investment banks and other sources of investments and developing and maintaining an investment pipeline; (ii) activities with respect to the pursuing, structuring, organizing, negotiating, consummating, financing, refinancing, diligencing (including any subscriptions to any periodicals, databases and/or research services), acquiring, bidding on, owning, managing, monitoring, operating, holding, hedging, restructuring, trading, taking public or private, selling, valuing, winding-up, liquidating, dissolving or otherwise disposing of, as applicable, portfolio companies and a Fund's actual and potential investments (including follow-on investments) or seeking to do any of the foregoing (including any associated legal, financing, commitment, transaction or other costs payable to attorneys, accountants, tax professionals, investment bankers, lenders, expert networks, third-party diligence and deal-sourcing software and service providers, consultants and similar professionals in connection therewith, and any fees and expenses related to transactions that may have been offered to co-investors), whether or not any contemplated transaction or project is consummated and whether or not such activities are successful; (iii) indebtedness of, or guarantees made by, a Fund, Victor Capital, the relevant Manager or any affiliated partner on behalf of a Fund (including any credit facility, letter of credit or similar credit support), including the repayment of principal and interest with respect thereto, or seeking to put in place any such indebtedness or guarantee; (iv) financing, commitment, origination and similar activities; (v) broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, private placement fees, sales commissions, investment banker, finder (including with respect to the retention of potential Operating Advisors and other portfolio company executives) and similar services; (vi) brokerage, sale, custodial, depository, local paying agent, trustee, record keeping, account, registered office (including any costs associated with a Manager) and similar services (including any depository appointed pursuant to the AIFMD or any law, rule or regulation relating to the implementation thereof in any relevant jurisdiction), and any Swiss representative or paying agent (appointed pursuant to the Swiss Collective Investment Schemes Act (as amended) including any law, rule or regulation relating to the implementation thereof); (vii) reporting, filings and other ongoing compliance requirements contemplated by the AIFMD or any similar law, rule or regulation (excluding, for the avoidance of doubt, the initial and/or preliminary registrations, filings and compliance obligations related thereto), including secondary legislation, regulation, rules and/or associated guidance, and any related requirements; (viii) legal, accounting, research, auditing, technology, administration (including costs associated with compliance with any anti-money laundering laws and regulations and any third-party administrator and administration, tracking or reporting software, if any), information, appraisal, advisory, valuation (including third-party valuations, fairness opinions, appraisals or pricing services as well as costs related to the establishment or maintenance of such other services), consulting (including consulting and retainer fees, salary and other compensation paid to and benefits or personnel costs provided to or on behalf of the Operating Advisors, consultants performing investment initiatives or providing services related to environmental, social and governance investment considerations and policies and other consultants), tax and other professional services, including costs related to the establishment or maintenance of any such activities or services; (ix) reverse breakup, termination and other similar arrangements; (x) insurance (including directors and officers liability, fidelity bond, management liability, cybersecurity, errors and omissions liability, crime coverage and general partnership liability premiums and other insurance and regulatory costs, including costs related to any retention or deductibles and broker fees, costs and commissions) and any consultants or other advisors utilized in the procurement, review, maintenance and analysis of insurance; (xi) filing, title, transfer,



survey, registration and other similar activities; (xii) printing, communications, mailing, courier, marketing and publicity; (xiii) the preparation, distribution or filing of financial statements or other reports, tax returns, tax estimates, Schedule K 1s or similar forms or other communications with investors, any other administrative, compliance or regulatory filings or reports (including Form PF, any filings required under the Corporate Transparency Act and Bureau of Economic Analysis Reports) or other information, including costs of any third-party service providers and professionals related to the foregoing; (xiv) compliance with any tax or financial account reporting regime, including FATCA, the OECD Standard for Automatic Exchange of Financial Account Information – Common Reporting Standard and any similar laws, rules and regulations, including any costs of any third-party service providers and professionals related to the foregoing; (xv) developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software (including accounting, investor reporting, customer relationship management, ledger systems, financial management and cybersecurity) or other administrative or reporting tools (including subscription-based services); (xvi) any activities with respect to protecting the confidential or non-public nature of any information or data, including confidential information (including any costs incurred in connection with the EU Data Protection Law (or other data protection laws implemented in other jurisdictions) or FOIA); (xvii) to the extent provided in the relevant governing documents or otherwise approved by a Manager in its sole discretion, activities or proceedings of the relevant advisory committee (including any out of pocket costs incurred by representatives of a Manager, the advisory committee members, permitted observers and other persons in attending or otherwise participating in meetings of the advisory committee); (xviii) indemnification obligations (including legal and any other costs incurred in connection with indemnifying any partner or other person pursuant to the applicable governing documents or otherwise and advancing costs incurred by any such person in defense or settlement of any claim that may be subject to a right of indemnification pursuant to the relevant governing documents), except as otherwise set forth in the governing documents; (xix) actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including the costs of discovery related thereto and any judgment, other award or settlement entered into in connection therewith; (xx) any annual, periodic or special meeting of the partners and any other conference, meeting or webcast or other video conference with any investor(s), and any periodic executive forum of portfolio company management and other persons in each case, including any costs associated with venue, set-up, room and board, dining, entertainment, gifts and mementos, honorarium, events or speakers, and other meeting or conference-related costs, in each case, to the extent incurred by a Fund, the relevant Manager or any other affiliate of the relevant Manager; (xxi) the Advisory Fee; (xxii) except as otherwise determined by the relevant Manager in its sole discretion, any cost relating to any alternative investment vehicle or its activities, business, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company of such alternative investment vehicle) that would be a fund expense if it were incurred in connection with a Fund, any costs incurred in connection with the formation, management, operation, termination, winding-up and dissolution of any feeder vehicles related to a Fund to the extent not paid by the investors investing in such entities and any other costs related to any structuring or restructuring of any Fund entity; (xxiii) the termination, liquidation, winding-up or dissolution of a Fund and any persons owned directly or indirectly by such Fund, including portfolio companies and related entities; (xxiv) defaults by partners in the payment of any capital contributions; (xxv) amendments to, and waivers, consents or approvals pursuant to, the governing documents of a Fund, the Manager, Victor Capital, any entities owned directly or indirectly by a Fund (including portfolio companies) and any alternative investment vehicle of a Fund, including the preparation, distribution and implementation thereof; (xxvi) (A) compliance with any law, rule, regulation, policy, directive or special measure (including in relation to privacy, data protection, know-your-customer, anti-money laundering, sanctions or anti-terrorism considerations), including any legal, administrator, consulting or other third-party service provider costs related thereto, any regulatory costs of a Manager or any of its affiliates incurred in connection with the operation of a Fund and any costs related to compliance with any environmental, social or governance or other investment considerations and policies applicable to a Fund, a Manager and/or any of their respective

affiliates and/or (B) the validation or other confirmation of any payments made to a Fund or the relevant Manager (including as a result of any anti-money laundering laws, rules or regulations); (xxvii) any litigation or governmental inquiry, investigation or proceeding, including any costs of discovery related thereto and the amount of any judgments, settlements or fines paid in connection therewith, except to the extent such costs or amounts have been determined to be excluded from the indemnification provided for in the applicable governing documents; (xxviii) any consultants, experts or advisors engaged, including independent appraisers engaged in connection with a Fund considering, making, holding or disposing of, directly or indirectly, an investment in the same person as one or more investment vehicles (other than such Fund) managed or controlled by the relevant Manager or any of its affiliates; (xxix) unreimbursed costs incurred in connection with any transfer or proposed transfer contemplated by the applicable governing documents or any investor's name change, internal restructuring or change in trust, registered agent or custodian; (xxx) any taxes, fees and other governmental charges levied against a Fund and/or any alternative investment vehicle and all costs incurred in connection with any tax audit, inquiry, investigation settlement or review of a Fund and/or any alternative investment vehicle (except to the extent that a Fund is reimbursed therefor by a reimbursing partner) and any costs of or related to the partnership representative provided that nothing in this clause (xxx) shall affect the treatment of any such amount pursuant to the applicable governing documents; (xxxi) distributions to the partners and other costs associated with the acquisition, holding and disposition of a Fund's investments, including extraordinary expenses; (xxxii) unreimbursed and unpaid costs of the Operating Advisors or other persons engaged by the Operating Advisors; (xxxiii) compliance or regulatory matters, except as otherwise set forth in this Agreement, including compliance with the relevant governing documents and/or any side letter or similar agreement (including any amendments, restatements, supplements, waivers, consents or approvals pursuant thereto); (xxxiv) amendments to, and waivers, consents or approvals pursuant to, side letters and similar agreements with investors and "most-favored-nations" election processes in connection therewith; (xxxv) attendance of any member, manager, shareholder, partner, director, officer, personnel or affiliate of a Manager, Victor Capital or any of their respective affiliates at any trade conference, including any applicable registration costs and exhibition, sponsorship or other presentation costs; (xxxvi) any travel (including, where appropriate as determined by a Manager, the cost of using or chartering private aircraft or other private air travel at a cost not to exceed the cost of corresponding first-class commercial airfare, other air travel, car or ride sharing services, rail, other modes of transportation, meals, lodging and entertainment) and other meals and entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities; (xxxvii) any of the items listed in clauses (i) - (xxxvi) above relating to any investment, restructuring, taking public or private, disposition, transaction, project or other opportunity not consummated or otherwise not successful and/or that may have been offered to co-investors (including co-investors' proportionate share of any expenses related to an investment or other opportunity not consummated); (xxxviii) any organizational expenses; (xxxix) any placement fees; and (xl) any other costs approved by the relevant advisory committee.

Each Fund's governing documents and each investor's consulting/side letter agreement contains the full expense policy, which each investor is encouraged to review in full prior to investing. The Funds, similar to other private equity funds, likely bear additional and greater expenses, directly or indirectly, than many other pooled investment products, such as mutual funds. To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth in "Brokerage Practices."

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

Please see the above section referenced "Fees and Compensation." Victor Capital and its affiliates, as applicable, generally will be entitled to a performance-based fee with respect to each Fund. The precise amount of the Performance Compensation, and the manner and calculation thereof, is set forth in each Client's governing documents or each investor's consulting/side letter agreement and may vary among the Firm's Funds

and investors. The Performance Compensation distributed to Victor Capital is generally subject to a potential giveback if Victor Capital has received excess distributions, as more fully described in the applicable governing documents.

The payment by some, but not all, Funds of Advisory Fees or Performance Compensation (for example, co-investment vehicles may not be subject to any Performance Compensation), or the payment of Advisory Fees or Performance Compensation at varying rates, creates an incentive for the Firm to disproportionately allocate time, services or functions to Funds paying Advisory Fees and/or Performance Compensation, or Funds paying Advisory Fees and/or Performance Compensation at a higher rate, or allocate investment opportunities to such Funds.

Performance Compensation arrangements create an inherent incentive for Victor Capital to recommend riskier or more speculative investments. Victor Capital and its affiliates invest in each Fund alongside investors to reduce potential conflicts of interest and to more closely align Victor Capital's investment objectives with those of its investors.

Clients' assets and liabilities are valued in accordance with Victor Capital's valuation policy. In making valuation determinations, Victor Capital will be deemed subject to a potential conflict of interest, especially with respect to illiquid securities, as the valuation of such assets and liabilities affects its Victor Capital will represent the value that will be realized by the Clients on the eventual disposition of the related investment or that would, in fact, be realized upon an immediate disposition of the investment.

As described above, in certain circumstances, the relevant Manager is expected to permit certain investors to co-invest in portfolio companies alongside one or more Funds, subject to Victor Capital's related policies and practices and the governing documents and/or side letter(s). Where a co-invest vehicle is formed, such entity generally will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction or would otherwise be beneficial, in the judgment of the Manager, ultimately is not consummated, all expenses incurred for transactions not consummated ("Broken Deal Expenses") relating to such proposed transaction will be borne by the Fund(s), and not by any potential co-investors, that were to have participated in such transaction. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such vehicle is expected to bear its share of such Broken Deal Expenses where permitted by such vehicle's governing documents. Victor Capital's practice of allocating Broken Deal Expenses among investing Funds is discussed under "Conflicts of Interest," below. To the extent a Fund makes use of a credit facility to invest in a portfolio company or pay related expenses, it generally will not be reimbursed separately by co-investors for use of the facility (e.g., interest and other costs of borrowing).

Victor Capital and its respective officers, directors, members, or personnel will devote such time to the management of Clients as they deem necessary. However, they are also responsible for advising or providing consulting services to other accounts which may include their own accounts, and expect in the future to organize, manage and advise investment funds or other entities with objectives similar to or different from those of Clients. Potential conflicts of interest are expected to arise in allocating investment opportunities, management time, services or other functions amongst Clients and such other accounts.

Victor Capital recognizes that it is a fiduciary and, as such, must act in the best interests of Clients. Further, the Firm recognizes that it will be subject to potential and actual conflicts of interest in connection with its provision of advisory services to its Clients. Such conflicts of interest are described in further detail under "Conflicts of Interest," below.

## **ITEM 7- TYPES OF CLIENTS**

Victor Capital currently provides investment advisory services directly to the Funds. Investors in the Funds are generally offered only to “accredited investors” as such term is defined in Rule 501 of Regulation D and may include, pooled investment vehicles, trusts, family offices, individuals, high net worth individuals, corporations, limited partnerships, limited liability companies and other such entities or suitable investors.

The minimum initial investment amount required of investors is set forth in each of Fund’s governing documents and is subject to reduction at the discretion of Victor Capital. Investors are typically subject to minimum investment periods as more fully described in the respective governing documents for a Fund.

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

### **Strategy/Methods of Analysis**

#### *Investment Strategy*

The Funds invest primarily in differentiated, branded businesses in the specialty consumer, industrial technology, and business services sectors of the North American lower middle market. The Firm targets fundamentals-based, control investments in what it considers inherently valuable businesses with defensible characteristics, low degrees of binary risk, and potential to unlock significant value regardless of market cycle. The Firm also targets businesses with approximately \$5 to \$20 million of EBITDA.

#### *Sourcing and Screening Process*

Through a proactive, thematic sourcing effort, leveraging a broad, curated network of deal sources, the Firm seeks to identify businesses that it believes meet its research-driven “SCORE” screening criteria, comprised of the following:

- Strong brands with mission-driven opportunity
- Capital efficient, asset-light business
- Outsized growth & transformation potential
- Resilient industry & business model
- Executive resources & management alignment

#### *Due Diligence Process*

Once Victor Capital believes an investment opportunity meets its criteria, the Firm conducts a comprehensive, structured due diligence effort with the purpose of fundamentally understanding the operations of the target company, its industry, and anticipating any risks that might threaten the target in the future. The Firm often employs a combination of internal and third-party resources to assess business and market conditions, management strength, financial health, legal matters, tax, environmental, competition, products, facilities, supply chain, and customer relationships. This review is usually accompanied by a detailed financial analysis of the historical and projected revenues, earnings, and cash flow streams of the business. Finally, the Firm relies on its personnel and consultants with experience in operations, sales, marketing, strategy development, and technology to analyze the target companies’ systems, processes, and team in order to anticipate operational issues as well as opportunities to improve business processes and revenue growth.

#### *Negotiating and Structuring*

After the Firm has completed the due diligence process, the Firm works to negotiate deal terms, capital structures and post-closing governance arrangements. Victor Capital, in conjunction with legal counsel, typically takes an active role in negotiating the appropriate transaction documents, including Definitive Purchase Agreements, Stockholders Agreements and Credit Agreements. Generally, the Firm also works

closely with financing sources in an effort to ensure adequate flexibility on debt pay-down and covenant requirements. Additionally, the Firm typically has a direct role in negotiating important transaction terms such as escrows, indemnification caps and baskets and seller representations and warranties. In general, the Firm works directly with the target company's management team to structure management equity incentive plans, including the creation of management option pools and employment agreements to align interests.

#### *Portfolio Monitoring and Value-Added Resources*

After investing in a company, Victor Capital typically takes a proactive role on the company's board of directors. The Firm's personnel may provide strategic and financial direction and work collaboratively to share its experience with the portfolio companies. This board-level involvement is augmented by the Firm's deep network of value-added resources, with specific focus on sales and marketing, operations, information technology, innovation, and M&A.

In most cases, capital raised and committed by Victor Capital is invested in control equity transactions where it is typically the first active institutional investor group. More information about the Funds and their strategies is available in each Fund's offering documents.

#### **Risk of Loss**

**An investment in a Fund is highly speculative and involves a high degree of risk. An investment should be made only by investors who can afford the loss of their entire investment. Each prospective investor, prior to making an investment decision, should carefully consider the following risk factors in addition to, and in conjunction with, all of the other information provided in the related governing documents. The Risk Factors reflected below and elsewhere in the governing documents are not intended to be an exhaustive list of all risks involved, but merely a representative listing of certain of those risks currently contemplated by a Fund.**

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

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

**Uncertain Economic, Social and Political Environment.** Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises, virus or disease epidemics or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of a Fund and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by such Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon such Fund's portfolio companies.

**General Economic and Market Conditions.** The private equity industry generally and the success of a Fund's investment activities specifically will be affected by general economic and market conditions, as well as by changes in laws, currency exchange controls, and national and international political and socioeconomic

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

**Leveraged Investments.** The Funds are permitted to make use of leverage by incurring or having a portfolio company or intermediate entity incur debt to finance all or a portion of certain investments, whether on a temporary or long-term basis. Leverage generally magnifies both such Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. Leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and potentially will constrain its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of a Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of such Fund's investments in the leveraged portfolio companies in a down market. These risks generally are expected to increase as interest rates rise, including in circumstances where a portfolio company's creditworthiness is such that it must borrow at higher interest rates than are available to the relevant Fund. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, a Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of such Fund. Furthermore, should the credit markets be limited or costly at the time a Fund determines that it is desirable to sell all or a part of a portfolio company, a Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Furthermore, the companies in which a Fund invests generally will not be rated by a credit rating agency. Except where otherwise required by the relevant governing documents, a Fund will not be obligated to borrow on behalf of a portfolio company, even in circumstances where the Fund's creditworthiness would permit borrowing at a lower rate than is available to the portfolio company.

Certain of the Funds are also permitted to borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt, a letter of credit or other forms of promise to provide funding) or otherwise be liable therefor, and in such situations, it is not expected that such Fund would be compensated for providing such guarantee or exposure to such liability. The use of leverage by a Fund generally also will result in fees, interest

expense and other costs to such Fund that may not be covered by distributions made to such Fund or appreciation of its investments. While Fund-level borrowings generally will be subject to limitations set forth in the governing documents and interim in nature, asset-level leverage generally will not be subject to any limitations, including with respect to the amount of time such leverage may remain outstanding. Certain Funds generally are permitted to incur leverage on a joint, several, joint and several or cross-collateralized basis with one or more other Funds and entities managed by Victor Capital or any of its affiliates, including through Fund subsidiaries and other intermediate entities, and may have a right of contribution, subrogation or reimbursement from or against such entities. It is also possible that certain co-investors (including management, any roll-over investors and/or third-party co-investors) will not share in incurring such leverage and that the Fund will disproportionately bear the risk and/or costs of leverage arrangements. In addition, to the extent a Fund incurs leverage (or provides such guaranties), such amounts are permitted to be secured by commitments made by such Fund's investors and such investors' contributions may be required to be made directly to the lenders instead of such Fund.

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

**Subscription Lines.** Certain of the Funds generally are permitted to enter into a subscription line with one or more lenders in order to finance its operations, including the acquisition, financing or refinancing of the Fund's investments, as well as to consolidate or make less frequent capital calls to limited partners. Fund-level borrowing subjects limited partners to certain risks and costs. For example, because amounts borrowed under a subscription line typically are secured by pledges of the relevant Manager's right to call capital from the limited partners, limited partners may be obligated to contribute capital on an accelerated basis if the Fund fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder. Moreover, any limited partner claim against the Fund would likely be subordinate to the Fund's obligations to a subscription line's creditors.

In addition, Fund-level borrowing will result in additional partnership expenses that will be borne by investors. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a subscription line, an upfront fee for establishing a subscription line, and other one-time and recurring fees and/or expenses, as well as legal fees relating to the establishment, structuring and negotiation of the terms of the borrowing facility, as well as expenses relating to maintaining, renegotiating or terminating the facility. Because a subscription line's interest rate is based in part on the creditworthiness of the relevant Fund's limited partners and the terms of the governing documents, it may be higher than the interest rate a limited partner could obtain individually. To the extent a particular limited partner's cost of capital is lower than the relevant Fund's cost of borrowing, Fund-level borrowing can negatively impact a limited partner's overall individual financial returns even if it increases the Fund's reported net returns in certain methods of calculation. Conflicts of interest have the potential to arise in that the use of Fund-level borrowing typically delays the need for limited partners to make contributions to a Fund, or results in short-term gains to a Fund, which in certain circumstances enhances the relevant Fund's return calculations and thereby may be deemed to benefit the marketing efforts of the Manager and its affiliates and increases the likelihood that any hurdle or preferred return component in the Fund's carried interest arrangements will be met. A portfolio company financing from a subscription line, rather than from a Fund-level equity commitment, has the potential to increase such returns, particularly in instances where the relevant amount has been drawn for an extended period of time. In other circumstances the use of Fund-level borrowing can increase the base of a

Fund's Advisory Fee calculation, such as during periods where Advisory Fees are based in whole or in part on an acquisition cost that includes a borrowing component. Because Advisory Fees are incurred whether an investment is financed through capital calls or borrowings, and a Fund's preferred return typically does not accrue on outstanding borrowings, the relevant Manager has an incentive to cause the Fund to make investments and/or pay such amounts using a subscription line rather than making capital calls. The use of Fund-level borrowing arrangements, and the repayment or non-repayment thereof, can also influence the determination of the end of a Fund's investment period, and cause or defer a related change in the basis of the relevant Fund's Advisory Fee calculation under the governing documents. Conflicts of interest also have the potential to arise to the extent that a subscription line is used to make an investment that is later sold in part to co-investors (including one or more co-investing Funds) as, to the extent co-investors are not required to act as guarantors under the relevant facility or pay related costs or expenses, co-investors nevertheless stand to receive the benefit of the use of the subscription line and neither the relevant Fund nor investors generally will be compensated for providing the relevant guarantee(s) or being subject to the related costs, expenses and/or liabilities.

A credit agreement or borrowing facility frequently will contain other terms that restrict the activities of a Fund and the limited partners or impose additional obligations on them. For example, certain lenders or facilities are expected to impose restrictions on the relevant Manager's ability to consent to the transfer of a limited partner's interest in a Fund or impose concentration or other limits on the Fund's investments, and/or financial or other covenants, that could affect the implementation of the Fund's investment strategy. In addition, in order to secure a subscription line, the relevant Manager may request certain financial information and other documentation from limited partners to share with lenders. The Manager will have significant discretion in negotiating the terms of any subscription line and may agree to terms that are not the most favorable to one or more limited partners. In certain circumstances, due to separate evaluations of creditworthiness by lenders or facility providers, a portfolio company or other Fund subsidiary is expected to bear higher rates under a borrowing facility than are borne by the Fund, resulting in a potential net benefit to the Fund, or additional potential liquidity constraints or other burdens on the relevant portfolio company or Fund subsidiary.

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

If an investment appreciates in value and is disposed of prior to repayment, the relevant Fund generally would apply disposition proceeds to repay the borrowing and related interest and expenses, the absence of invested capital funded by limited partners potentially will result in a distribution of net proceeds without a preferred return accrual on the amount invested. Accordingly, borrowings have the potential to support the distribution of proceeds to limited partners and increase the potential carried interest for the relevant Manager, as reduced by the interest incurred by the relevant Fund. Subject to any limitations in the governing documents, this



scenario potentially incentivizes the relevant Manager to permanently fund the acquisition and ongoing capital needs of a Fund's investments and related expenses with the proceeds of such borrowings in lieu of drawing down capital contributions on an as-needed basis, and, accordingly, capital contributions to repay such borrowings may be required only at the time of the disposition of an investment (or never, if principal and interest on such borrowings are always repaid out of disposition proceeds).

**Investment- and Intermediate Entity-Level Borrowing.** Under the governing documents, each Fund is authorized to incur indebtedness that is secured by any assets of the Fund (*e.g.*, asset-based borrowing, as well as “back leverage” and net asset value (NAV) facilities), and is permitted directly or indirectly through one or more intermediate entities (*e.g.*, special purpose vehicles) to incur indebtedness, including to borrow money from any person, to make guarantees or provide other credit support to any person or to incur any other obligation (including other extensions of credit). Indebtedness is permitted to be incurred for any purpose relating to the activities of the Fund, including without limitation to: finance any investment-related activities of the Fund; increase the buying power of the Fund; provide interim financing to the extent necessary to consummate the purchase of investments prior to the receipt of permanent financing or capital contributions or distributions (as applicable); pay for Fund expenses or fund the payment of Advisory Fees; make, hold or dispose of investments; provide financing or refinancing; fund the payment of amounts to withdrawing limited partners; fund distributions to the partners; and/or provide collateral to secure outstanding letters of credit or to create reserves, in each case in accordance with the governing documents. Additionally, a Fund reserves the right to enter into letters of credit in support of one or more of its investments, including for the purpose of such Fund agreeing to fund additional equity financing or capital expenditures into a portfolio company (regardless of who the beneficiary to such letter of credit may be) at a certain time or upon the occurrence of a certain event. Although in many cases the governing documents impose limits on borrowings at the Fund level, portfolio investments and intermediate entities generally do not have such limits on their ability to engage in borrowings or incur leverage with respect to all or a portion of the relevant investments.]

**Concentration of Investments; Lack of Diversification.** A Fund will participate in a limited number of investments and is expected to seek to make several investments in one industry or one industry segment or within a short period of time. Further, with respect to the SPVs, each such SPV will only make a single platform investment. As a result, a Fund's investment portfolio could become, and with respect to the SPVs will be, highly concentrated, and the performance of one or a few holdings or of a particular industry may substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, a Fund may invest in fewer portfolio companies and thus be less diversified. In circumstances where the relevant Manager intends to refinance all or a portion of the capital invested in a transaction, there will be a risk that such refinancing may not be completed, which could lead to increased risk as a result of a Fund having an unintended long-term investment as to a portion of the amount invested and/or reduced diversification. If a Fund co-invests with another private equity fund, a limited partner invested in such other fund may have exposure to a single portfolio company through more than one fund, potentially multiplying such limited partner's losses.

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

**Risks in Effecting Operating Improvements.** In some cases, the success of a Fund's investment strategy will depend, in part, on the ability of such Fund to effect improvements in the operations of a portfolio company. The activity of identifying and implementing operating improvements at portfolio companies entails a high degree of uncertainty. In addition, executing operational improvements may divert the attention of key personnel and disrupt normal business. There can be no assurance that a Fund will be able to successfully identify and implement such improvements or that any such successfully implemented improvements will result in a return on invested capital with respect to such portfolio company.

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

**Highly Competitive Market for Investments.** Victor Capital will be competing for investments with other private equity investment vehicles and investors when identifying and structuring transactions. There can be no assurance that the Funds will be able to locate suitable investment opportunities, acquire those investments for an appropriate level of consideration or fully invest its committed capital.

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

**Public Company Holdings.** A Fund's investment portfolio may contain debt and/or equity securities issued by publicly held companies. Such investments may subject a Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of such Fund to dispose of such securities at certain times, increased likelihood of shareholder litigation and insider trading allegations against such companies' executives and board members, including Victor Capital's principals, and increased costs associated with each of the aforementioned risks.

**Risks Relating to Due Diligence of and Conduct at Portfolio Companies; Expedited Transactions.** Before making investments, the relevant Manager will typically conduct such due diligence as it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, technical, environmental, regulatory and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment and the facts and circumstances related thereto and the relevant Manager generally will rely on the advice received from such third parties. Investment analyses and decisions by the relevant Manager will often be undertaken on an expedited basis in order for a Fund to take advantage of investment opportunities and/or consummate investments. In such cases, the information available to the relevant Manager at the time of an investment decision may be limited, and such Manager may not have access to the detailed information

necessary for a full evaluation of the investment opportunity. The due diligence investigation carried out with respect to any investment opportunity will not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in an investment being successful or even ensure a return on invested capital.

**Hedging Arrangements; Related Regulations.** A Manager is authorized (but not obligated) to endeavor to manage the relevant Fund's or any portfolio company's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. A Fund is permitted to incur costs related to such hedging arrangements, which are permitted to be undertaken in exchange-traded or over-the-counter ("OTC") contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used. In some cases, particularly in OTC contexts, hedging arrangements will subject a Fund to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose a Fund to additional liquidity risks if such contracts cannot be adequately settled. Certain hedging arrangements may create for a Manager and/or one of its affiliates an obligation to register with the U.S. Commodity Futures Trading Commission (the "CFTC") or other regulator or comply with an applicable exemption. Losses may result to the extent that the CFTC or other regulator imposes position limits or other regulatory requirements on such hedging arrangements, including under circumstances where the ability of a Fund or a portfolio company to hedge its exposures becomes limited by such requirements.

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

**Inflation Risk.** High rates of inflation and rapid increases in the rate of inflation generally have a negative impact on financial markets and the broader economy. In an attempt to stabilize inflation, governments may impose wage and price controls or otherwise intervene in a country's economy. Governmental efforts to curb inflation, including by increasing interest rates or reducing fiscal or monetary stimuli, historically have had negative effects on the level of economic activity. Certain countries, including the United States, have recently seen increased levels of inflation, and persistently high levels of inflation could have a material and adverse impact on the Funds' investments and their aggregated returns. For example, if a portfolio company were unable to increase its revenue while the cost of relevant inputs were increasing, the company's profitability

would likely suffer. Likewise, to the extent a portfolio company has revenue streams that are slow or unable to adjust to changes in inflation, including by contractual arrangements or otherwise, the portfolio company could increase revenue by less than its expenses increase. Conversely, as inflation declines, a portfolio company may see its competitors' costs stabilize sooner or more rapidly than its own. Additionally, because investment returns are not linked to the rate of inflation, as the rate of inflation increases the proportion of real returns (i.e., the nominal rate of return less the rate of inflation) decreases and the proportion of real returns subject to performance-based compensation increases.

**Governmental Interventions.** Extreme volatility and illiquidity in markets has in the past led to, and may in the future lead to, extensive governmental interventions in equity, credit and currency markets. Generally, such interventions are intended to reduce volatility and precipitous drops in value. In certain cases, governments have intervened on an “emergency” basis, suddenly and substantially eliminating market participants’ ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, these interventions have typically been unclear in scope and application, resulting in uncertainty. It is impossible to predict when these restrictions will be imposed, what the interim or permanent restrictions will be and/or the effect of such restrictions on Victor Capital’s investment strategies.

**Public Health Emergencies; COVID-19.** Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, Ebola and COVID-19, have resulted in historic market disruptions, and future such emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to the Funds.

The ultimate impact of any such health emergency — and any resulting decline in economic and commercial activity — on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict, but could have a significant adverse impact and result in significant losses to the Funds. The extent of the impact on the Funds’ and their portfolio companies’ operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors may limit the ability of the Funds to source, diligence and execute new investments and to manage, finance and exit investments in the future, and governmental mitigation actions may constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy the Funds intend to pursue, all of which could adversely affect the Funds’ ability to fulfill their investment objectives. They may also impair the ability of portfolio companies or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences. In addition, the operations of the Funds, their portfolio companies, the Managers and Victor Capital may be significantly impacted, or even temporarily or permanently halted, as a result of any such health emergencies, or any measures, restrictions, remote-working requirements and other factors related thereto, including its potential adverse impact on the health of any such entity’s personnel. These measures may also hinder such entities’ ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

**Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes.** There continue to be discussions regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on a Fund’s activities, including the ability of such Fund to effectively and timely address such regulations,

implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives.

The combination of such scrutiny of private equity firms (along with other alternative asset managers) and their investments by various politicians, regulators and market commentators, and the public perception that certain alternative asset managers, including private equity firms, contributed to the recent downturn in the U.S. and global financial markets, may complicate or prevent a Fund's efforts to structure, consummate and/or exit investments, both in general and relative to competing bidders outside of the alternative asset space. As a result, a Fund may invest in fewer transactions or incur greater expenses or delays in completing or exiting investments than it otherwise would have.

Additionally, the SEC has proposed and enacted significant rules that will impact the business of Victor Capital and the Funds. In particular, the SEC has adopted a number of new rules that impose significant changes on private fund advisers and their management of private funds, and the SEC is expected to propose and/or adopt additional rules in the future. Such current and future rulemaking is expected to materially impact Victor Capital and its affiliates, the Funds and/or their investments. In addition, the Funds are expected to bear significant increased costs as a result of such rules, including costs relating to investor reporting and disclosures. Significant time and resources are expected to be required to comply with the new regulations, which potentially will detract from the time and resources dedicated to the Funds. Certain rules are or may become subject to legal challenge from private fund industry groups and others, and to the extent such legal challenges are successful, investors will not be afforded some or all of the protections provided by these rules.

**Material, Non-Public Information; Other Regulatory Restrictions.** As a result of the operations of Victor Capital and its affiliates, as well as in connection with officerships or directorships of Victor Capital personnel, Victor Capital frequently comes into possession of confidential or material, non-public information., Victor Capital and its affiliates may have access to material, non-public information that may be relevant to an investment decision to be made by a Fund, a Fund may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or Victor Capital's internal policies and practices.

Similarly, anti-money laundering, anti-boycott and economic and trade sanction laws and regulations in the United States and other jurisdictions may prevent Victor Capital or the Funds from entering into transactions with certain individuals or jurisdictions. The United States Department of the Treasury's Office of Foreign Assets Control ("OFAC") and other governmental bodies administer and enforce laws, regulations and other pronouncements that establish economic and trade sanctions on behalf of the United States. Among other things, these sanctions may prohibit transactions with or the provision of services to, certain individuals or portfolio companies owned or operated by such persons, or located in jurisdictions identified from time to time by OFAC. Additionally, antitrust laws in the United States and other jurisdictions give broad discretion to the U.S. Federal Trade Commission, the U.S. Department of Justice and other U.S. and non-U.S. regulators and governmental bodies to challenge, impose conditions on, or reject certain transactions. In certain circumstances, antitrust restrictions relating to one Fund's acquisition of a portfolio company may preclude other Funds from making an attractive acquisition or require one or more other Funds to sell all or a portion of certain portfolio companies owned by them.

As a result of any of the foregoing, a Fund may be adversely affected because of Victor Capital's inability or unwillingness to participate in transactions that may violate such laws or regulations, or by remedies imposed by any regulators or governmental bodies. Any such laws or regulations may make it difficult or may prevent a Fund from pursuing investment opportunities, require the sale of part or all of certain portfolio companies on a timeline or in a manner deemed undesirable by Victor Capital or may limit the ability of one or more portfolio companies from conducting their intended business in whole or in part. Consequently, there can be no

assurance that any Fund will be able to participate in all potential investment opportunities that fall within its investment objectives.

**Sanctioned Investors.** If after subscribing to a Fund a limited partner is included on a list of prohibited persons maintained by a relevant regulatory or governmental authority (including OFAC or equivalent non-U.S. authorities) (a “**Sanctions List**”), the relevant Manager will have the sole discretion to determine the resolution, remedy and manner of compliance of the Fund with applicable laws, including without limitation a “freeze” on distributions and/or capital calls from the relevant limited partner and reporting to the relevant authorities. Adverse actions by any such authorities, including temporary or permanent stays or holds on the Fund’s activities, could materially and adversely affect the Funds.

**Privacy and Data Protection Law Compliance Risk.** The adoption, interpretation and application of consumer protection, data protection and/or privacy laws and regulations in the United States, Europe and other jurisdictions (collectively, “Privacy Laws”) could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and current and planned business activities of Victor Capital, the Managers, the Funds and/or their portfolio companies, and increase compliance costs and require the dedication of additional time and resources to compliance for such entities. A failure to comply with such Privacy Laws by any such entity or their service providers could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations and overall business, as well as have a negative impact on reputation and Fund performance. As Privacy Laws are implemented, interpreted and applied, compliance costs for Victor Capital, the Managers, the Funds and/or their portfolio companies, are likely to increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

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

**Cybersecurity Risks.** Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject, particularly operating companies in historically vulnerable industries such as the food services and retail industries. To the extent that a portfolio company, Fund, Manager, Victor Capital or one or more of their respective service providers is subject to cyber-attack or other unauthorized access is gained to their systems, substantial losses may occur in the form of stolen, lost or corrupted: (i) data or payment information; (ii) financial information; (iii) software, contact lists or other databases; (iv) proprietary information or trade secrets; or (v) other items. If technology systems are compromised, become inoperable for extended periods of time or cease to function properly, Victor Capital, the Managers, the Funds and/or portfolio companies may incur significant time or expense to fix or replace them and to seek to remedy the effects of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Victor Capital’s, the Managers’, the Funds’, portfolio companies’ and/or service providers’ operations, including the ability to make distributions to limited partners, and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). In certain events, a failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. The use of internet- or cloud-based programs, technologies and data storage applications generally heightens these risks, and the risks of attack are expected to be heightened in remote work environments. Any of such circumstances could subject a portfolio company, or the relevant Fund, to substantial losses, including losses relating to: misappropriation of assets, intellectual property or confidential information; corruption, deletion or destruction of data; physical damage and repairs to systems; reputational harm; financial losses from remedial actions; and/or disruption of

operations. Third parties, including activist, criminal, nation-state or terrorist actors, may also attempt fraudulently to induce portfolio companies or their personnel to disclose sensitive information (including passwords) in order to gain access to data, accounts, funds or other assets, or otherwise to inflict harm. In addition, in the event that such a cyber-attack or other unauthorized access is directed at Victor Capital or one of its service providers holding its financial or investor data, Victor Capital, its affiliates or the Funds may also be at risk of loss, despite efforts to prevent and mitigate such risks under Victor Capital's policies and practices.

**Reliance on the Managers and Portfolio Company Management.** Investors generally have no right or power to take part in the management of a Fund, or control over the operation of a Fund, including decisions with respect to structuring, negotiating and purchasing, financing, and eventually divesting investments on behalf of a Fund, as control over these decisions will be vested with the relevant Manager. Consequently, a Fund's future profitability and investment performance will depend largely upon the business and investment acumen of Victor Capital and other principals of the relevant Manager. The loss or reduction of service of one or more such persons could have an adverse effect on a Fund's ability to realize its investment objectives. Investors generally have no right or power to take part in the management of a Fund, and as a result, the investment performance of a Fund will depend on the actions of the relevant Manager. In addition, certain changes in the relevant Manager or circumstances relating to such Manager may have an adverse effect on a Fund or one or more of its portfolio companies, including potential acceleration of debt facilities. Furthermore, there can be no assurance that a Fund's investments will achieve results similar to those attained by previous investments of Victor Capital. In addition, a Fund's investments may differ from previous investments made by Victor Capital in a number of respects, including target return levels, level of risk associated with a particular investment, amount invested in a particular company, types of companies within a particular industry sector, amount of leverage used, structure and holding period.

The success of many of a Fund's portfolio companies is heavily dependent on the management of such companies. Each portfolio company's day-to-day operations will be the responsibility of such company's management team. Additionally, the relevant Manager will generally establish the capital structure of companies in which a Fund invests on the basis of financial projections for such companies, which will contain significant judgment and input from the portfolio company management team. Although the relevant Manager will be responsible for monitoring the performance of each portfolio investment and a Fund generally intends to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the existing management team, or any successor, will be able or willing to successfully operate a company in accordance with a Fund's objectives. Portfolio companies may need to attract, retain and develop executives and members of their management teams. The market for executive talent can be extremely competitive. There can be no assurance that the management team of a portfolio company on the date a portfolio investment is made will remain the same or continue to be affiliated with the company throughout the period the portfolio company is held by a Fund. There can be no assurance that portfolio companies will be able to attract, develop, integrate and retain suitable members of its management team and, as a result, a Fund may be adversely affected thereby.

**Financial Institution Risk; Distress Events.** An investment in a Fund is subject to the risk that one of the banks, brokers, counterparties, clearinghouses, exchanges, lenders or other custodians (each, a "Financial Institution") of some or all of the Fund's (or any portfolio company's) assets fails to timely perform or otherwise defaults on its obligations or experiences insolvency, closure, seizure, receivership or other financial distress or difficulty (each, a "Distress Event"). Distress Events can be caused by factors including eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance, undercapitalization, market forces or accounting irregularities. If a Financial Institution experiences a Distress Event, Victor Capital, any Manager, the Funds and/or any of the portfolio companies may be unable to access deposits, borrowing facilities or other services, either permanently or for an indeterminate period of time. Although assets held by regulated

Financial Institutions in the United States frequently are insured up to stated balance amounts by organizations such as the Federal Deposit Insurance Corporation, in the case of banks, and the Securities Investor Protection Corporation, in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of total loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose potentially increased risk of loss. While in recent years governmental intervention has often resulted in additional protections for depositors and counterparties in connection with Distress Events, there can be no assurance that any intervention will occur, be successful or avoid the risks of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

Any Distress Event has a potentially adverse effect on the ability of Victor Capital to manage the Funds and their investments, and on the ability of Victor Capital, any Fund or any portfolio company to maintain operations, which in each case could result in operational burdens, significant losses and unconsummated investment acquisitions and dispositions. Such losses could include: a loss of funds; an obligation to pay fees and expenses in the event a Fund is unable to close a transaction (whether due to the inability to draw capital on a credit line provided by a Financial Institution experiencing a Distress Event, the inability of the Fund to access capital contributions or otherwise); the inability of the Fund to acquire or dispose of investments, including at prices that the relevant Manager believes reflect the fair value of such investments; and/or the inability of Victor Capital or portfolio companies to make payroll, fulfill obligations and/or maintain operations. If a Distress Event leads to a loss of access to a Financial Institution's services, it is also possible that Victor Capital will experience operational burdens and expenses, and a Fund or a portfolio company will incur additional expenses and/or delays in putting in place alternative arrangements and/or that such alternative arrangements will be less favorable than those formerly in place (with respect to economic terms, service levels, access to capital or otherwise). There can be no assurance that Victor Capital will be able to exercise contractual remedies under the agreements with Financial Institutions in the event of a Distress Event, or that such remedies will be successful or avoid losses, delays or other negative impacts. The Funds and their portfolio companies are subject to additional risks in the event a Financial Institution utilized by investors of a Fund or suppliers, vendors, service providers or other counterparties of a portfolio company become subject to Distress Events, which could have a material adverse effect on a Fund, its investors or such portfolio companies, including the risk of investor defaults.

Many Financial Institutions require, as a condition to using their services (including lending services), that Victor Capital and/or the relevant Fund maintain all or a set amount or percentage of their respective accounts or assets with the Financial Institution, which heightens the risks associated with a Distress Event with respect to such Financial Institutions. Although Victor Capital seeks to do business with Financial Institutions that it believes are creditworthy and capable of fulfilling their respective obligations to the Funds, Victor Capital is under no obligation to use a minimum number of Financial Institutions with respect to any Fund, or to maintain account balances at or below the relevant insured amounts.

**U.S. Taxation of Carried Interest.** U.S. federal income tax law treats certain allocations of capital gains to service providers by partnerships such as the Funds as short-term capital gain (taxed at higher ordinary income rates) unless the partnership has held the asset that generated such gain for more than three years. Additionally, Congress has considered proposed legislation that would treat certain income allocations to service providers by partnerships such as a Fund (including any carried interest) as ordinary income for U.S. federal income tax purposes that under current law are treated as an allocation of the partnership's income (and which may be taxed at lower rates than ordinary income). Such rules, as well as any such legislation that may be enacted in the future, could apply to reduce the after-tax returns of individuals associated with a Fund, its Manager, or Victor Capital who were or may in the future be granted direct or indirect interests in carried interest, which could make it more difficult for the relevant Manager and its affiliates to incentivize, attract and retain individuals to perform services for a Fund. This creates potential incentives for Victor Capital to cause a Fund to hold



investments for a longer period than would be the case if such greater-than-three-year holding period requirement did not exist.

**Secondaries and other Manager-Led Transactions.** There continues to be a significant market for secondary sales, Manager-led transactions, continuation funds, successor fund investments and other transactions, and Victor Capital reserves the right to dispose of (or seek additional capital for) Fund investments through such means. Many of these transactions involve an auction process run by an investment bank and a buyer (or buyer group) that agrees to purchase all or a portion of one or more investments that will continue to be managed by Victor Capital following the transaction. Such transactions are permitted to be undertaken for various reasons, including, for example, to balance competing interests between offering liquidity to existing limited partners and maintaining exposure to an asset where Victor Capital believes there is the potential for additional value generation. Where undertaken, existing limited partners typically are offered certain options relating to receiving liquidity from the transaction or continuing to maintain exposure to the asset, assets or a new portfolio of assets (including a portfolio that combines assets from multiple Funds sponsored by Victor Capital and its affiliates), often on different terms than their original investment in the Fund. However, certain of such transactions are expected to involve: a limited partner investing (or being required to invest) additional capital in the existing Fund and/or other investment vehicles; a greater exposure to one or more particular portfolio companies; and/or a delay in the full liquidation of the Fund's investment. In other circumstances, even limited partners that elect to continue to hold a direct or indirect interest in the relevant portfolio company will have their interest adjusted as if distributed (*i.e.*, a portion of such interest will be allocated to the relevant Manager to the extent of its right to receive carried interest, if any), effectively diluting their interests.

Each of these transactions has the potential for conflicts between the interests of a Fund or limited partner and those of Victor Capital or any buyer group that typically are not applicable to more traditional investment sales. For example, in circumstances where Victor Capital or an affiliate will continue to manage and receive fees and/or performance-based compensation relating to the subject assets following the transaction (potentially in addition to performance-based compensation earned by the relevant Manager on the sale of an asset from an existing Fund in such transaction), their incentives are expected to diverge from those of limited partners who elect to sell their interests. Similarly, there are potential conflicts of interest among the selling Fund, Victor Capital, the relevant Manager and any buyer group relating to the valuation and consideration offered for the investment(s) subject to the transaction. To the extent Victor Capital requires existing limited partners and/or new buyers to commit capital to a continuation fund or another Fund managed by Victor Capital in addition to the purchase amount paid in a transaction (including commitments to the relevant Fund in specified ratios to the purchase price), such requirement is expected to have a dilutive effect on the purchase price for the selling Fund and its limited partners. There can be no assurance that any such transaction will accurately reflect the fair market value of the Fund investment(s) being sold. Further, the relevant Manager is expected to be incentivized, including through the possibility of receiving additional compensation, to make investments in portfolio companies with the view of holding such investments for longer periods of time or to make investments that it would not otherwise have made if the possibility of liquidity through a secondary transaction did not exist. Where co-investors historically have been invested in an investment subject to such a transaction, there can be no assurance that they will receive the same liquidity or other options as limited partners in the relevant Fund, and in such circumstances Victor Capital reserves the right to compel co-investors to receive cash or continue to hold an interest in the relevant investment. In other circumstances, certain limited partners will not be permitted to continue to maintain exposure to the asset(s) due to a lack of eligibility to invest in a continuation vehicle under relevant securities, tax or other considerations. Although relevant potential conflicts of interest are disclosed to limited partners and/or the relevant advisory committee prior to the closing of the transaction, there can be no assurance that Victor Capital will successfully identify all conflicts of interest or resolve or mitigate all such conflicts of interest in favor of Fund or any individual limited partner or group of limited partners. However, Victor Capital reserves the right, in its sole discretion, to determine to engage in

such transactions, subject to any approvals required in the relevant governing documents. Victor Capital is permitted to seek the consent of the relevant Fund advisory committee(s) to approve conflicts associated with such transactions and accordingly not all limited partners will necessarily be able to approve or disapprove of such transactions. Similar to any prospective sale or disposition of Fund investments, to the extent such transactions are not consummated, the relevant Fund is expected to bear all of the related costs in the absence of an agreement with other parties to bear a portion of such costs.

**Social Media and Publicity Risk.** The use of social networks, message boards, internet channels and other platforms has become widespread within the United States and globally. As a result, individuals now have the ability to rapidly and broadly disseminate information or misinformation, without independent or authoritative verification. Any such information or misinformation regarding Victor Capital, the Funds or one or more portfolio companies could have a material and adverse effect on the value of the Funds.

### **Conflicts of Interest**

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

During the investment period of a Fund, all appropriate investment opportunities will be pursued by Victor Capital principals through such Fund, subject to certain limited exceptions set forth in the governing documents and Victor Capital's Allocation Policy. Without limitation, Victor Capital principals currently manage, and expect in the future to manage, several other investments similar to those in which a Fund will be investing, and expect to direct certain relevant investment opportunities or resources to those investments. Victor Capital personnel reserve the right to manage their own personal investments, whether or not through a formal family office or estate planning structure, to establish trusts, endowments, charitable programs, foundations or similar arrangements, and to pay or receive compensation relating to the foregoing. Victor Capital's principals and Victor Capital's investment staff will continue to manage and monitor such investments until their realization. Such other investments that Victor Capital principals expect from time to time to control or manage generally have the potential to compete with companies acquired by a Fund. Following the investment period of a Fund, Victor Capital principals reserve the right to, and likely will, focus their investment activities on other opportunities and areas unrelated to such Fund's investments. To the extent an investment opportunity is received that is unsuitable for a Fund, in Victor Capital's sole discretion, Victor Capital and its personnel reserve the right to refer such opportunity to third parties or to make personal investments in the relevant opportunity. Unless restricted by the governing documents, Victor Capital personnel are permitted to serve on boards or act in other roles unaffiliated with Victor Capital, the Funds or their portfolio companies, including boards of charitable and educational institutions, public companies and former portfolio companies, and receive compensation in connection with such services and roles and no such compensation will offset or otherwise reduce any Advisory Fees.

From time to time, Victor Capital expects to be presented with certain investment opportunities that would be suitable not only for a Fund, but also for other Funds and other investment vehicles operated by advisory affiliates of Victor Capital. In determining which investment vehicles should participate in such investment opportunities, Victor Capital and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. Except as required by the governing documents, Victor Capital is not obligated to recommend any investment to any particular investment vehicle. Investments by more than one client of Victor Capital in a portfolio company also have the potential to raise the risk of using assets of a client of Victor Capital to support positions taken by other clients of Victor Capital.

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

Following such determination of allocation among Funds, Victor Capital reserves the right to offer co-investment opportunities to one or more potential co-investors, including Operating Advisors, vendors, service providers and/or other third parties, as determined by the governing documents, side letters and Victor Capital's Allocation Policy. Victor Capital's procedures permit it to take into consideration a variety of factors in making such determinations, including, but not limited to: expressed interest in co-investment opportunities; expertise of the prospective co-investor in the geographic location, market or industry to which the investment opportunity relates; perceived ability to quickly execute on transactions; tax, regulatory, securities laws and/or other legal considerations (*e.g.*, qualified purchaser or qualified institutional buyer status); confidentiality concerns that may arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity; perceived ease of process in coordinating or completing the investment with the prospective co-investor or co-investors similar thereto; Victor Capital's perception of whether the investment opportunity may subject the prospective co-investor to legal, regulatory, reporting or other burdens that make it less likely that the prospective co-investor would act upon the investment opportunity if offered or would impair Victor Capital's ability to execute the relevant transaction in the desired time or on desired terms; size of the investment allocation and practicality of dividing it up among multiple co-investors; lender requirements; perceived public relations and reputational benefits or costs; existence of a formal or informal strategic relationship with the prospective co-investor, including, without limitation, certain transactional advisors, portfolio company management teams and Operating Advisors; the size and/or timing of a commitment to a Fund and whether Victor Capital believes that allocating investment opportunities to an investor or person will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant portfolio company, other portfolio companies, the Funds or Victor Capital. Although Victor Capital reserves the right to consider a prospective co-investor's willingness to invest in future Funds, such willingness generally will not be the sole determining factor considered by Victor Capital in identifying co-investors. The Managers reserve the right to grant certain third-party investors the opportunity to evaluate specified amounts of prospective co-investments in Fund portfolio companies or otherwise to have priority in co-investment opportunities.

Furthermore, Victor Capital or its related persons expect to make decisions regarding whether and to whom to offer co-investment opportunities in consultation with other participants in the relevant transactions, such as a lender or co-sponsor. Co-investment opportunities typically will be offered to some and not to other Fund investors, and the consideration of the factors set forth above likely will result in certain investors receiving multiple opportunities to co-invest while others expressing interest in co-investments have the potential to receive none. Allowing any co-investment generally reduces the amount of the relevant investment opportunity that theoretically could have been taken by the relevant Fund, and Victor Capital expects to be subject to potential conflicts of interest in determining the amount of investment opportunity that should be allocated to the relevant Fund because (i) co-invest opportunities generally appeal to Fund investors and third parties, (ii) to the extent co-investments made by Fund investors are not subjected to Advisory Fees and/or performance-based compensation, co-investments blend the effective rates of compensation paid by such persons in a manner not subject to the “most-favored nation” provisions of a Fund’s governing documents and (iii) co-investors’ proportionate share of a particular investment typically is not subject to the Advisory Fee offset provisions of a Fund’s governing documents. In order to facilitate the acquisition of a portfolio company, a Fund reserves the right to make (or commit to make) an investment in the company with a view to selling a portion of the investment to co-investors or other persons prior to or following the closing of the acquisition. In such event, the relevant Fund will bear the risk that any or all of the excess portion of such investment may not be sold or may only be sold on unattractive terms, including for example the risk that a portion of the investment will be syndicated at reduced cost, at cost, or at a lower amount at a time when the Manager believes the value of such investment has appreciated or should be higher than that paid (or willing to be paid) by a co-investor. To the extent such a syndication is made, the Manager’s interest in limiting the Fund’s exposure to a given investment while providing a potential benefit to co-investors investing at such lower values will give rise to a potential conflict of interest. As a consequence of a failed co-investment syndication process or a co-investment syndication on unattractive terms, the relevant Fund would be required to (i) bear the entire portion of any break-up, topping or other fees, costs and expenses related to such investment (including the proportionate share of such amounts that were expected to have been borne by co-investors), (ii) hold a larger-than-expected investment in such portfolio company, (iii) receive less-than-fair-market value for the syndicated portion of the investment and/or (iv) be diluted or realize lower than expected returns from such investment. When and to the extent that personnel and related persons of Victor Capital and its affiliates make capital investments in or alongside certain Funds, Victor Capital and its affiliates are subject to potentially conflicting interests in connection with these investments. There can be no assurance that any Fund’s return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

Victor Capital’s allocation of investment opportunities among the persons and in the manner discussed herein often will not result in proportional allocations among such persons, and such allocations likely will be more or less advantageous to some such persons relative to others. While Victor Capital will allocate investment opportunities in a manner that it believes is fair and equitable to its Clients under the circumstances over time and considering relevant factors, there can be no assurance that a Fund’s actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the potential conflicts of interest to which Victor Capital expects to be subject, discussed herein, did not exist.

In certain cases, Victor Capital will have the opportunity (but, subject to any applicable restrictions or procedures in the governing documents, no obligation) to identify one or more secondary transferees of interests in a Fund. In such cases, Victor Capital will use its discretion to select such transferees based on eligibility and other factors, including factors similar to those employed in selecting co-investors, and unless required by the governing documents, will determine in its sole discretion whether the opportunity to receive a transfer of Fund interests should be offered to one or more existing Fund investors.

Potential conflicts are expected to arise when and to the extent a Fund makes investments in conjunction with an investment being made by another Fund, or if it were to invest in the securities of a company in which another Fund has already made an investment. A Fund may not, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Funds. This likely will result in differences in price, terms, leverage and associated costs. Further, there can be no assurance that the relevant Fund and the other Fund(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. Victor Capital and its affiliates reserve the right from time to time to express inconsistent views of commonly held investments or of market conditions more generally. There can be no assurance that the return on one Fund's investments will be the same as the returns obtained by other Funds participating in a given transaction. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both Funds. In that regard, actions taken for one or more Funds may adversely affect other Funds.

Subject to any relevant restrictions or other limitations contained in the governing documents, Victor Capital will allocate fees and expenses in a manner that it believes is fair and equitable to its Clients under the circumstances over time and considering such factors as it deems relevant, but in any case in its sole discretion. In exercising such discretion, Victor Capital expects to be faced with a variety of potential conflicts of interest.

As a general matter, Fund expenses typically will be allocated among all relevant Funds or co-invest vehicles receiving the benefit of such expenses (in the relevant Manager's sole discretion) and eligible to reimburse expenses of that kind. In all such cases, subject to applicable law and legal, contractual or similar restrictions, expense allocation decisions generally will be made by Victor Capital or its affiliates using their reasonable judgment, considering such factors as they deem relevant, but in their sole discretion to be fair and equitable across these vehicles. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion, *e.g.*, in determining which Funds or co-invest vehicles benefit (or the extent to which they benefit) from the relevant service relating to the expense, or whether to allocate *pro rata* based on number of Funds or co-invest vehicles receiving related benefits or proportionately in accordance with asset size, or in certain circumstances determining whether a particular expense has greater benefit to a Fund or Victor Capital. The Funds generally have different expense reimbursement terms, including with respect to Advisory Fee offsets, which is expected in certain cases to result in the Funds bearing different levels of expenses with respect to the same investment.

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

Additionally, a portfolio company typically will reimburse Victor Capital or service providers retained at Victor Capital's discretion for expenses (including, without limitation, travel expenses) incurred by Victor Capital or such service providers in connection with its performance of services for such portfolio company. Service provider expenses are required to be reimbursed whether or not there is overlap in expertise, function or services performed by Victor Capital personnel. This subjects Victor Capital and its affiliates to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. Victor Capital determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices. Although the amount of individual reimbursements typically is not disclosed to investors in any Fund, their effect will typically be reflected in each Fund's audited financial statements, and any fee paid or expense

reimbursed to Victor Capital or such service providers generally is subject to: agreements with or review by sellers, buyers and management teams; the review and supervision of the board of directors of or lenders to portfolio companies; and/or third party co-investors in its transactions. These factors help to mitigate related potential conflicts of interest.

In connection with its services to the Funds and their investments, Victor Capital, its affiliates and personnel expect to receive the benefit of certain tangible and intangible benefits. For example, in the course of Victor Capital's operations, including research, due diligence, investment monitoring, operational improvements and investment activities, Victor Capital and its personnel expect to receive and benefit from information, "know-how," experience, analysis and data relating to Fund or portfolio company (as applicable) operations, terms, trends, market demands, customers, vendors and other metrics (collectively, "Victor Capital Information"). In many cases, Victor Capital Information will include tools, procedures and resources developed by Victor Capital to organize or systematize Victor Capital Information for ongoing or future use. Although Victor Capital expects its Funds and their portfolio companies generally to benefit from Victor Capital's possession of Victor Capital Information, it is possible that any benefits will be experienced solely by other or future Funds or portfolio companies (or by Victor Capital and its personnel) and not by the Fund or portfolio company from which Victor Capital Information was originally received or derived. Victor Capital Information will be the sole intellectual property of Victor Capital and solely for the use of Victor Capital. Victor Capital reserves the right to use, share, license, sell or monetize Victor Capital Information, without offsetting or otherwise reducing Advisory Fees, and the relevant Fund or portfolio company will not receive any financial or other benefit of such use, sharing, licensure, sale or monetization. Additionally, expenses relating to the Funds or portfolio companies are expected to be charged using credit cards or other widely available third-party rewards programs that provide airline miles, hotel stays, travel rewards, traveler loyalty or status programs, "points," "cash back," rebates, discounts and other arrangements, perquisites and benefits under the available terms of such reward programs. Such programs are expected to vary over time, and any such rewards (whether or not *de minimis* or difficult to value) generally will inure to the benefit of the personnel participating in the rewards program, rather than the portfolio companies, the Funds or their respective investors; no such rewards will offset or reduce Advisory Fees.

Victor Capital generally exercises its discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with certain service providers, and from time to time such service providers are expected to include: (i) Victor Capital or a related person of Victor Capital (which is permitted to include a portfolio company of such Fund); (ii) an entity with which Victor Capital or its affiliates or current or former members of their personnel has a relationship or from which Victor Capital or its affiliates or their personnel otherwise derives financial or other benefit, including relationships with joint venturers or co-venturers, or relationships where Victor Capital personnel are seconded, or from which Victor Capital receives secondees; or (iii) certain limited partners or their affiliates. For example, Victor Capital expects to be presented with opportunities to receive financing and/or other services in connection with a Fund's investments from certain limited partners or their affiliates that are engaged in lending or related business. This discretion subjects Victor Capital to conflicts of interest, because, although Victor Capital selects service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Fund, Victor Capital has a potential incentive to recommend the related or other person (including a limited partner) because of its financial or other business interest. There is a possibility that Victor Capital, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds or Victor Capital), would favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Victor Capital will not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses. Although Victor Capital generally seeks appropriate rates for services, it reserves the right to prioritize prior usage, perceived

quality, sector competence or expertise, familiarity, onboarding speed or other factors in retaining or recommending service providers. Additionally, Victor Capital expects certain service providers, their affiliates and personnel to invest in, or co-invest alongside, one or more Funds, and due to the nature of the service provider relationships and the timing of services these persons have the potential to have information advantages relative to other investors or co-investors, and likely will be offered co-investment opportunities before such opportunities are presented to other interested prospective co-investors. Based on the foregoing factors, limited partners should not expect service providers to Victor Capital or any Fund to provide services that will be the most beneficial to any limited partner. Whether or not Victor Capital has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

In addition, as described above, portfolio companies (and, to a lesser extent, the Funds) typically pay certain fees to, and reimburse expenses of, Operating Advisors and other consultants (including consultants introduced or arranged by Victor Capital and/or its affiliates that regularly provide services to one or more portfolio companies), and such amounts do not offset or reduce the Advisory Fee as described herein. Operating Advisors generally make use of Victor Capital resources or otherwise are associated with Victor Capital. Victor Capital and/or its affiliates reserve the right to agree to compensate certain of such persons to the extent portfolio company-related compensation falls below certain specified levels on an aggregate annualized basis, or provide other compensation. Operating Advisors are expected from time to time to include former personnel of Victor Capital or certain portfolio companies, and in some circumstances former Operating Advisors are expected to become Victor Capital personnel or personnel of portfolio companies. Consequently, the determination of whether individuals are Operating Advisors is expected to vary and/or be revisited from time to time, which poses potential conflicts of interest where certain changes in status or categorization would reduce costs that Victor Capital otherwise would be required to bear. Operating Advisors generally receive investment opportunities, reimbursements and other compensation that do not offset or reduce the Advisory Fee of any Fund, as described herein, and the use of Operating Advisors is expected to fluctuate and/or expand over time. To the extent that Operating Advisors are paid retainers or guaranteed minimum compensation amounts, there is the possibility that certain portfolio companies or Funds will bear a greater share of such compensation due to the utilization of the Operating Advisor's services at a time when fewer portfolio companies or Funds make use of such Operating Advisor. Under many of these arrangements, including where Operating Advisors are paid a flat fee, there can be no assurance that the amount of compensation paid in a particular year will be proportional to the amount of hours worked or the amount or tangible work product generated by the Operating Advisor.

Although Victor Capital generally structures Funds to avoid circumstances in which one Fund ultimately bears liability for all or part of the obligations of another Fund or any Victor Capital affiliate, in certain circumstances lenders and other market participants negotiate for the right to face only select Fund entities, which may result in a single Fund being solely liable for other Funds' share of the relevant obligation and/or joint and several liability among Funds. In such case, Victor Capital intends to cause the relevant other Funds to enter into a back-to-back guarantee, indemnification or similar reimbursement arrangement, although the Fund undertaking the obligation in the first instance generally will not receive compensation for being primarily liable under these arrangements. In other circumstances, lenders and other market participants are expected to seek "cross default" rights under which a Fund will be treated as in default under the relevant facility in the event of a default by another Fund or a Victor Capital affiliate relating to their respective lending or other facilities; if any such provision were to be triggered, a Fund's limited partners could suffer adverse effects resulting from any default by any Fund or a Victor Capital affiliate, whether or not related to the Fund in which such limited partners have invested.

Victor Capital and/or its affiliates reserve the right to employ or engage personnel with pre-existing ownership interests in portfolio companies owned by the Funds or other investment vehicles advised by Victor Capital and/or its affiliates; conversely, current or former personnel or executives of Victor Capital and/or its affiliates are expected from time to time to serve in significant management roles at portfolio companies or service providers recommended by Victor Capital. Similarly, Victor Capital, its affiliates and/or personnel maintain relationships with (or invest in) financial institutions, service providers and other market participants, including, but not limited to, managers of private funds, banks, brokers, advisors, consultants, finders (including executive finders and portfolio company finders), executives, attorneys, accountants, institutional investors, family offices, lenders, former personnel, and current and former portfolio company executives, as well as certain family members or close contacts of these persons. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, Victor Capital and/or its affiliates and/or the Funds or other investment vehicles they advise. In other circumstances, these vendors are expected to provide personal banking, private wealth or lending arrangements (including lending arrangements with respect to personal investments in or through Victor Capital entities, whether or not relating to financing Victor Capital personnel obligations to fund Manager commitment obligations) to Victor Capital personnel and their estate planning vehicles. Victor Capital expects to be subject to a potential conflict of interest with a Fund in recommending the retention or continuation of a third-party service provider to such Fund or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds, will provide Victor Capital information about markets and industries in which Victor Capital operates (or is contemplating operations) or will provide other services that are beneficial to Victor Capital or one or more other Funds. Victor Capital expects to be subject to a potential conflict of interest in making such recommendations, in that Victor Capital has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for a Fund, while the products or services recommended may not necessarily be the best available to a Fund or its portfolio companies.

Victor Capital, its affiliates, and equity holders, officers, principals and personnel of Victor Capital and its affiliates reserve the right to buy or sell securities or other instruments that Victor Capital has recommended to a Fund. In addition, officers, principals and personnel reserve the right to buy securities in transactions deemed unsuitable for a Fund, but will not in such circumstances be required to share in, reimburse or compensate the relevant Fund for due diligence or other expenses (including Broken Deal Expenses) incurred by the Fund in connection with the Fund's consideration of the relevant investment opportunity. Any such transactions are subject to any restrictions in the governing documents and any related policies and procedures set forth in Victor Capital's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of any Fund. Personnel and related persons of Victor Capital have, and are expected to continue to have, capital investments in or alongside certain Funds, or in prospective portfolio companies directly or indirectly, as well as in investment vehicles (including private funds) sponsored by potential competitors, and therefore expects to have additional potential conflicting interests in connection with these investments.

A Fund's Manager generally is permitted to receive a distribution in kind from the Fund, including in connection with investment dispositions or the payment in kind of amounts owed to the Manager as carried interest (which generally will be made using the value of the relevant securities on the date of contribution). In such circumstances, there is a potential conflict of interest between the Manager (and its beneficial owners) and the relevant Fund's limited partners. For example, the Manager and its beneficial owners may intend to hold the investment for a different time period than Victor Capital deems suitable for the Fund. Although the Manager and its beneficial owners bear the risk that such securities will decrease during their holding period, to the extent the value of the relevant securities increases following the Fund's disposition thereof, neither the relevant Fund nor its limited partners will benefit from the increase, and over time the economic benefit to the Manager and



its beneficial owners could exceed the value of the Manager's pro rata interest in the Fund and the amount of carried interest owed. To the extent the beneficial owners of the Manager contribute such securities to a charity (including to a private foundation or other charitable organization associated with, operated or chosen by such persons or their families), any tax efficiencies or other personal benefits associated with the contribution will inure to the benefit of such beneficial owners rather than to the Fund or its limited partners.

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

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

The governing documents provide the Managers with wide-ranging authority to make determinations, including those related to investment purchases and dispositions (and their timing), valuation and other matters that in each case have the potential to affect the Managers' compensation. In making such determinations, the Managers are subject to potential conflicts of interest. For example, the potential to earn additional compensation creates an incentive for the Managers or their affiliates to make investments and to hold investments longer than otherwise would be the case in the absence of the relevant Fund's Advisory Fee and carried interest compensation arrangements. The Managers expect to be incentivized to cause a Fund to make, hold, value and/or dispose of investments (and to delay or forego a determination that the investments are Impaired Value Investments) in order to receive greater ongoing Advisory Fees and, potentially, earlier and/or larger carried interest distributions than would otherwise be the case.

Where the Advisory Fee is calculated taking into account the valuation of an investment, the Managers will have incentives to make determinations that result in the continued payment of, or a higher, Advisory Fee. Where the governing documents do not require Advisory Fees to be reduced in connection with investment reorganizations, restructurings, roll-over investments, extraordinary dividends or similar transactions, the Managers are incentivized to pursue such transactions. Additionally, the amount of carried interest owed to the relevant General Partner is dependent in part on the amount and timing of investment dispositions, as well as in certain instances determinations that investments are Impaired Value Investments, and the relevant General Partner expects to be subject to related potential conflicts of interest in determining whether and when to dispose of investments, make distributions, and/or determine that an investment is an Impaired Value Investment, within the requirements of the relevant governing documents.

The Managers' wide-ranging authority on the determination of Impaired Value Investments, and the criteria used by the relevant General Partner or its affiliates in valuing an investment, or determining whether an investment is an Impaired Value Investment, have the potential to be subjective, to be influenced by market information and other factors and to vary over time. There can be no assurance that a third party or investor would agree with the substance or timing of the relevant General Partner's determination that an investment is an Impaired Value Investment, and except as set forth in the governing documents, neither the General Partner nor its affiliates is obligated to follow any third-party methodology in making its determination on whether an investment meets the relevant standards or whether value can be recovered or retained during the Fund's holding period. The General Partner is entitled to make its own determination taking into account all facts and

circumstances it deems relevant, subject to the provisions of the governing documents. As a general matter, the standards for determining Impaired Value Investments are intended to be high, and are not intended to apply to investments experiencing partial or temporary declines in value. Because the amount of the Managers' compensation is dependent in part on an investment's status as an Impaired Value Investment, the relevant General Partner faces potential conflicts of interest in determining whether an investment meets, or continues to meet, the relevant criteria. Although the Managers intend to operate in accordance with the governing documents, as well as its valuation policy, in order to mitigate the potential for subjectivity in making such determinations, there can be no assurance that such policy will address all of the necessary factors to do so, or completely eliminate all potential conflicts of interest in such determinations.

Since Victor Capital is permitted to retain certain Other Fees (as described under "Fees and Compensation") in connection with Fund investments, it expects to be subject to a potential conflict of interest in connection with approving transactions and setting such compensation. In many cases, Other Fees are based on enterprise value or other metrics relating to a portfolio company, but also have the potential to be charged on a flat-fee basis or based on another metric, and there can be no assurance that the amount of Other Fees charged will be proportional to the amount of hours of work performed or tangible work product generated on behalf of the portfolio company. Additionally, Victor Capital, its personnel, affiliates or others designated by Victor Capital expect from time to time to receive compensation in the form of portfolio company securities. To the extent any such securities are received, after any applicable offset provisions in the governing documents are applied (typically based on the then-present value of such securities), Victor Capital and/or such other recipients will be permitted to retain such securities as Other Fees, and in doing so will be subject to potential conflicts of interest in determining whether to sell such securities (subject to restrictions imposed by the portfolio company and/or Victor Capital) or retain such securities for a period consistent with their own financial and investment objectives, which may differ from those of the relevant Fund. In addition, because portfolio company securities typically represent newly issued incentive equity (whether in the form of common stock, warrants or options to buy common stock, or similar instruments), the receipt of compensation in the form of securities typically has the result of diluting a Fund's relative ownership of the portfolio company awarding such compensation.

In certain circumstances, such as those relating to short- or long-term portfolio company cash or liquidity needs, and regardless of whether the portfolio company is undergoing financial stress, Victor Capital reserves the right to accrue, defer or forego payments of Other Fees, and reserves the right to charge interest at then-available rates with respect to such amounts. In such cases, in accordance with the governing documents, investors will not receive the benefit of Advisory Fee offsets with respect to such amounts until they are actually received.

Victor Capital and/or its affiliates reserve the right to enter into side letters with certain investors in a Fund providing such investors with different or preferential rights or terms, including, but not limited to, different fee structures or arrangements (including discounted or rebated compensation terms, modified waterfall mechanics and/or receipt of a portion of Victor Capital's compensation), information rights, specialized reporting, priority co-investment rights or targeted co-investment amounts, rights to serve on the Fund's advisory committee, liquidity or transfer rights, confidentiality protections and disclosure rights, modification of default remedies, as well as economic, procedural and other terms, many of which will not be subject to the "most-favored nation" provisions of a Fund's governing documents.

Victor Capital is likely to have its own economic and/or other business incentives to provide certain terms to certain limited partners (e.g., based on commitment amount to a Fund or the timing thereof, the ability of a limited partner to provide sourcing or other services to Victor Capital, its affiliates and personnel or the Funds, or the potential to establish, recognize, strengthen or cultivate relationships that have the potential to provide longer-term benefits to Victor Capital, its affiliates and personnel, or the Funds). Further, side letters are also expected to relate to strategic relationships under which an investor agrees to make Commitments to multiple Funds. Except in the circumstances and on the timing required by the governing documents and/or applicable

law, other investors will not receive copies of side letters or related provisions, and as a general matter, the other investors have no recourse against a Fund, Victor Capital, the relevant Manager or any of their affiliates in the event that certain investors have received additional and/or different rights and/or terms as a result of such side letters. Side letters subject Victor Capital to potential conflicts of interest, including in circumstances where an investor's right to serve on the relevant Fund's advisory committee results in the investor receiving additional information relative to other investors. To the extent an investor is subject to statutory or other limitations on indemnification, or otherwise negotiates rights relating thereto, other investors may be subject to increased losses, or be required to bear an increased portion of indemnification amounts. Other side letter rights are likely to confer benefits on the relevant limited partner at the expense of the relevant Fund or of limited partners as a whole, including in the event that a side letter confers additional reporting, information rights and/or transfer rights, the costs and expenses of which are expected to be borne by the relevant Fund.

As a consequence of one or more limited partners being excused or excluded, or from regulatory, tax or other factors altering or limiting their participation in investments or ability to bear certain liabilities or obligations, the aggregate returns realized by participating or non-participating limited partners could be adversely affected in a material manner by the unfavorable performance of particular investments; similar considerations apply in the event a limited partner defaults on a drawdown in respect of an investment. Although Victor Capital believes it to be unlikely, excuse or other rights requested or received by one or more limited partners (or such regulatory, tax or other factors applicable to such limited partners) representing a substantial percentage of a Fund have the potential to create significant variations in limited partner investment returns or exposures to liabilities or obligations, or to influence or affect the investment strategy and pursuit of investment opportunities by the Manager on behalf of the relevant Fund as a whole. A limited partner's voting rights for regulatory or other reasons can be limited in circumstances specified in the governing documents; conversely, a limitation on one or more limited partners' voting rights generally will increase the voting rights percentage of other limited partners in the relevant Fund. Further, limited partners with different domiciles or tax categorizations could receive different investment returns or amounts of tax basis and/or pay different levels of expenses, e.g., based on tax savings or ownership of alternative investment vehicle, "blocker" or other structures used to facilitate their investments in, through or below a Fund.

Although the Governing Documents generally contain broad exculpation and indemnification provisions, Victor Capital will not interpret such provisions to constitute a waiver of any person's non-waivable federal fiduciary duties to the relevant Fund under the Advisers Act. The relevant liability standards under insurance coverage procured by Victor Capital are expected to vary by carrier, and such standards are expected to vary from time to time depending on, for example, coverage features or limitations then-available from the carrier at the time of insurance contract renewal. As a result, insurance coverages from time to time are expected to vary from relevant liability and/or indemnity standards in the governing documents. Investors generally will be responsible for insurance premiums, as set forth in the governing documents, regardless of whether the liability and/or indemnity standards in Victor Capital's insurance coverage are higher or lower than that set forth in the governing documents.

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

## **ITEM 9- DISCIPLINARY INFORMATION**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to an investor or potential investor's evaluation of Victor Capital or the integrity of Victor Capital's management.

Victor Capital has no such facts to disclose.

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

Victor Capital or its associated persons do not have any registrations or pending registrations to act as a broker-dealer or representative of a broker dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of any of the foregoing entities related to this item.

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

### **Code of Ethics**

Victor Capital is a fiduciary to its Clients, and therefore must serve their interests with the utmost loyalty and care. Victor Capital has adopted a Code of Ethics (the "Code"), which is designed to meet the requirements of SEC Rule 204A-1, and to assist Victor Capital and its supervised persons in preventing violations of the Investment Advisers Act and the rules promulgated under it. Item 11 provides a summary of certain provisions of the Code.

The Code applies to Victor Capital's management and personnel, and to any consultant or other non- personnel who the Chief Compliance Officer ("CCO") determines to treat as a "supervised person" for purposes of the Code. The Code sets forth a standard of business conduct that considers Victor Capital's status as a fiduciary to its clients and requires supervised persons to place the clients' interests above their own interests. The Code requires supervised persons to comply with applicable federal securities laws and includes general provisions regarding professionalism in all aspects of management and personnel conduct for Victor Capital.

The Firm's Code is designed to address conflicts of interest related to personal trading by requiring personnel to report securities holdings and adhere to policies designed to avoid and prevent the use of material, nonpublic information. In addition, the Code requires preclearance prior to purchasing interests in privately offered securities. Personal securities transactions by Victor Capital personnel are required to be conducted in a manner that prioritizes the interests of Clients. Victor Capital's Code will be provided at the request of any investor or prospective investor. Please direct such requests to Kimberly Baxter Canaras, Victor Capital's CCO, who can be reached at (212) 202-3340 or at [kbaxter@victorcapitalpartners.com](mailto:kbaxter@victorcapitalpartners.com).

Victor Capital during its investment management and other activities, comes into possession of confidential or material non-public information from time to time. Victor Capital is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. Victor Capital maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and that seek to ensure that Victor Capital remains in compliance with applicable law. Further, supervised persons are required to promptly bring violations of the Code to the applicable party.

Victor Capital also has adopted policies and procedures intended to prevent personnel from being unduly influenced in their decisions by the receipt of gifts or other inducements from third parties, such as brokers, trading counterparties or vendors. Victor Capital personnel are required to seek approval to keep certain business gifts and are required to seek pre-approval to give certain types of business gifts. In addition, Victor

Capital's policies set forth standards for receiving and providing business entertainment from or to certain third parties, and certain prohibited uses of social media, among other things.

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

As explained in Item 10, Victor Capital has pecuniary interests in Client accounts and receives fees for the advisory services it provides to Clients. Also, as explained in Item 10 and elsewhere in this Brochure, Victor Capital's affiliates, principals, and personnel, and certain related persons (including investment vehicles that they manage) invest the Funds and Victor Capital, in its sole discretion, reserves the right to waive, reduce or calculate differently the fees for any such investments. The fact that the Victor Capital, its affiliates, partners and personnel and their related persons have pecuniary interests in Client accounts creates a potential conflict in that it could cause Victor Capital to make different investment decisions than if such parties did not have such interests. Further, Advisory Fees payable to Victor Capital are payable without regard to the overall success or income earned by Client accounts. Furthermore, Victor Capital principals and personnel may serve as directors and officers of certain portfolio companies. Principals and personnel will be required to act in a manner that each considers to be in the best interests of such portfolio company and its shareholders while acting as director or officer of any portfolio company. Conflicts of interest may arise in certain circumstances when the best interest of the portfolio company may not be the best interest of the respective Fund.

Victor Capital, its affiliates and its officers, directors, and personnel may become aware of, and participate in, business opportunities and investments in which any of the Clients will not be given an opportunity to participate. Victor Capital will use its best efforts in connection with the purposes and objectives of each Client and will devote as much of their business time and effort to the affairs of each Client as may, in their judgment, be necessary to accomplish the investment objectives of the Client. Affiliated persons may conduct other business activities, including any business within the securities industry, whether or not such business is in competition with a Client. Without limiting the generality of the foregoing, Victor Capital or its affiliated persons may act as the investment adviser for others, may manage funds or capital for others, may have, make and maintain investments in their own name or through other entities, and may serve as officers, directors, consultants, partners or stockholders of one or more investment funds, partnerships, securities firms or advisory firms.

### **ITEM 12 – BROKERAGE PRACTICES**

Victor Capital focuses on securities transactions of private companies. As such, the Firm generally purchases and sells such private companies through privately negotiated transactions in which the services of a broker-dealer or investment bank may be retained. In the event that Victor Capital retains investment banks or broker-dealers, the costs of such retention may be allocated to the relevant Fund or Funds.

Victor Capital reserves the right to make brokerage or investment bank recommendations to Clients as fully described in the governing documents for each Fund. Victor Capital does not intend to engage in public securities transactions, however, the Funds are permitted to distribute securities to investors in the Funds or sell such securities, including through a broker-dealer, if a public trading market for such securities exists. To the extent that Victor Capital engages in public securities transactions it will do so according to the governing documents for each Fund and will choose counterparties based upon criteria that are in the best interest of the Funds' investors.

When selecting a broker dealer or investment bank, the Firm will consider certain factors including the capabilities with respect to the type of transaction being contemplated, commissions or fees charged, reputation of the firms being considered, responsiveness to requests for information, and overall experience. Although the Firm will evaluate the reasonableness of rates for such services, the market for such services involves subjective evaluations and the Funds may not necessarily pay the lowest commission or fee for such services.

Certain transactions may require specialized services on the part of the broker or investment bank and therefore may entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services. Although Victor Capital generally seeks competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent.

Victor Capital may reduce brokerage commissions on Client transactions in recognition of research furnished by brokers if doing so remains consistent with the Firm's duty to seek and obtain best execution. Victor Capital generally does not make use of such services (commonly known as soft dollars) at the current time and Victor Capital has not made use of use of such services since its inception. To the extent that Victor Capital allocates brokerage business on the basis of research services, it may have an incentive to select or recommend broker-dealers based on the interest in receiving such research or other products or services, rather than based on the Funds' interest in receiving most favorable execution.

### **ITEM 13- CLIENT ACCOUNTS**

Victor Capital generally invests in private long-term illiquid investments. The Firm closely monitors all investments held by the Funds and the Firm's CCO periodically ensures that all investments meet the Firm's stated objectives.

Victor Capital distributes semi-annual investment summaries to investors. Each investment summary includes an update on the performance of each portfolio company, financial summaries, and changes to market value as applicable. Victor Capital will also provide audited financials to all underlying investors in each Fund within 120 days of each fiscal year end.

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

Victor Capital and its personnel may provide business and consulting services to Portfolio Investments. Such business and consulting fees may offset Advisory Fees as described in the governing documents of the applicable Fund. These fees in other cases may be considered as fees in addition to Advisory Fees and Performance Compensation.

Victor Capital has engaged a third-party placement agent to refer advisory investors to certain of the Funds. The placement agent typically receives a commission calculated based upon specified percentages of the fees obtained on investments secured by the placement agent in addition to any ongoing share of Victor Capital's fees payable for the services of the placement agent. These placement fees are paid in arrears on a quarterly basis subsequent to the Firm's receipt of the applicable fees. Any placement fee may be waived or reduced in respect of any particular investor without thereby entitling any other investor to a similar waiver or reduction.

### **ITEM 15- CUSTODY**

Due to the legal structure of the Funds and the role of Victor Capital, Victor Capital generally expects that it will be deemed to have custody (within the meaning of Rule 206(4)-2 under the Investment Advisers Act (the "Custody Rule")) of funds or securities held in the name of one or more Funds, subject to certain exceptions set forth in the Custody Rule and related guidance.

To ensure compliance with the Custody Rule, Victor Capital will ensure that all investors are provided with financial statements for their respective Fund, audited by an independent accounting firm that is registered with and subject to review by the Public Company Accounting Oversight Board, in accordance with U.S. Generally Accepted Accounting Principles, within 120 days of the end of such Fund's fiscal year.

#### **ITEM 16- INVESTMENT DISCRETION**

Victor Capital provides investment advice directly to the Funds. Investment advice is not provided to individual investors in the Funds. Services are provided to each Fund in accordance with the governing documents of the Fund.

#### **ITEM 17- VOTING CLIENT SECURITIES**

Victor Capital does not vote public equity proxies on behalf of its Funds or portfolio companies, nor does it anticipate doing so in the future. Should one of Victor Capital's portfolio companies go public or be acquired for stock by a public company or should Victor Capital otherwise make an investment in a public company, Victor Capital will adopt a proxy voting policy in accordance with SEC Rule 206(4)-6 to detail how it will vote its Clients' proxies.

#### **ITEM 18 – FINANCIAL INFORMATION**

Registered investment advisers are required in this Item 18 to provide certain financial information or disclosures about their financial condition. Victor Capital has no financial commitments that impair its ability to meet contractual and fiduciary commitments to limited partners and has not been the subject of a bankruptcy proceeding.