

**Item 1. Cover Page**

**Francisco Partners Management, L.P.  
Part 2A of Form ADV  
(the “Brochure”)**

**One Letterman Drive  
Building C – Suite 410  
San Francisco, CA 94129  
(415) 418-2900**

**[compliance@franciscopartners.com](mailto:compliance@franciscopartners.com)  
[www.franciscopartners.com](http://www.franciscopartners.com)**

March 29, 2024

This Brochure provides information about the qualifications and business practices of Francisco Partners Management, L.P. (“**FP**” or the “**Firm**”). If you have any questions about the contents of this Brochure, please contact us at (415) 418-2900 or via email at [compliance@franciscopartners.com](mailto:compliance@franciscopartners.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

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

This Brochure does not constitute an offer to sell or the solicitation of an offer to purchase any securities of any entities described herein.

Additional information about FP also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2. Material Changes**

Prior to this version, FP filed its most recent Brochure on March 31, 2023. This amendment contains routine annual updates to the previously filed Brochure, including, without limitation: (i) updates to Item 5 to reflect new disclosure related to allocation of costs and expenses (ii) updates to Item 8 to reflect new and updated risk factors related to the Adviser's investment strategy, including risk factors related to investments in highly levered portfolio companies, non-U.S. investments, loan priority and security, artificial intelligence, certain relevant regulatory changes, weather and climate changes, benchmark rates, SOFR, alternative benchmark rates, and other risks applicable to credit investments, and (iii) updates to Item 11 to reflect new disclosure regarding potential and/or actual conflicts of interest faced by FP including those related to allocation of investment opportunities and additional disclosure regarding investing in different types of securities of a portfolio company. In addition, FP routinely makes updates throughout the Brochure to improve and clarify the description of its business practices and compliance policies and procedures, as well as to respond to evolving industry best practices.

### Item 3. Table of Contents

#### CONTENTS

Item 1.	Cover Page .....	1
Item 2.	Material Changes.....	2
Item 3.	Table of Contents.....	3
Item 4.	Advisory Business .....	4
Item 5.	Fees and Compensation .....	6
Item 6.	Performance-Based Fees and Side-By-Side Management.....	15
Item 7.	Types of Clients.....	16
Item 8.	Methods of Analysis, Investment Strategies and Risk of Loss .....	17
Item 9.	Disciplinary Information.....	63
Item 10.	Other Financial Industry Activities and Affiliations.....	64
Item 11.	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	65
Item 12.	Brokerage Practices.....	98
Item 13.	Review of Accounts.....	99
Item 14.	Client Referrals and Other Compensation .....	100
Item 15.	Custody .....	101
Item 16.	Investment Discretion .....	102
Item 17.	Voting Client Securities .....	103
Item 18.	Financial Information.....	104

#### Item 4. Advisory Business

Francisco Partners Management, L.P. (together, where the context permits, with the General Partners (as defined below) and other affiliates that provide advisory services to, and/or receive management fees from, the Funds (as defined below), “**FP**” or the “**Firm**”), a registered investment adviser, manages certain private investment partnerships that are private investment funds (“**Partnerships**”) and certain related investment vehicles, and may in the future provide similar investment advisory services to separately managed accounts or similar arrangements (“**Related Funds**,” together with the Partnerships, the “**Funds**” or the “**FP Funds**”) <sup>1</sup> that are exempt from registration under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”). The Funds’ securities are not registered under the Securities Act of 1933, as amended (the “**Securities Act**”), and are privately placed to qualified investors in the United States and elsewhere. FP also serves as adviser to certain investment entities that are formed for the purpose of co-investing alongside FP Funds.

FP was converted to a Delaware limited partnership in 2012 but is part of a private investment firm originally founded in 1999. FP is owned by its senior management and no individual owns 25% or more of the Firm.

The Funds are generally formed by an affiliate of the Firm, including general partner entities (each, a “**General Partner**”). FP provides discretionary investment management services to the Funds on behalf of the relevant General Partner. The General Partners may or may not be under common control with FP, but possess a substantial identity of personnel and/or equity owners with FP. Each General Partner operates as a single advisory business with FP and is deemed registered under the Advisers Act, in accordance with SEC guidance, pursuant to FP’s registration.

The primary focus of FP’s investment advisory activity is researching and advising on private equity investments, including buyouts, divisional divestitures, recapitalizations, restructurings, and growth equity in middle market and lower-middle market technology companies. Certain Funds focus primarily on investing in middle-market opportunities, while other Funds focus primarily on investing in smaller, lower-middle market opportunities (each an “**FP Equity Fund**” and such strategy or team, “**FP Equity**”). Such investments often take the form of privately negotiated investment instruments including unregistered equity from both U.S. and non-U.S. issuers. In addition, to extend FP’s considerable domain expertise and intellectual property into the credit markets, FP has a credit business segment (“**FP Credit**” and such strategy or team “**FP Credit**”) for which it provides investment advisory services to Funds focused on tech-enabled credit and other credit strategies (each an “**FP Credit Fund**”). The investments of the Funds are generally referred to herein as “**portfolio companies**.” Although the primary focus of each Fund (other than an FP Credit Fund) is on middle market or lower-middle market technology private equity investments, FP will, from time to time, recommend other types of investments, including investments in public companies, consistent with the respective Fund’s investment strategy and objectives, as described in the applicable private placement memoranda and or governing document (including the limited partnership agreements, operating agreements, and similar governing documents) (collectively, the “**Fund Documents**”) of each Fund.

---

<sup>1</sup> Where applicable, includes wholly owned subsidiaries and alternative investment vehicles related to transactions with the Funds.

FP generally provides investment advisory services to each Fund pursuant to a separate investment advisory agreement (each, an “**Advisory Agreement**”). Investment advice is provided by FP directly to the Funds, subject to the direction and control of the affiliated General Partner of such Fund. Persons or entities that invest in the Funds are referred to in this Brochure as “**investors**” or “**limited partners**.” FP provides investment advice and other services directly to the Funds and not individually to the investors of such Funds. The applicable General Partner of each Fund generally enters into side letter agreements with certain investors in the Funds, establishing rights under, or supplementing or altering the terms of, the applicable Fund Documents and subscription agreements relating to such Fund with respect to such investors (“**Side Letters**”). Side Letter provisions include, among other things, different information rights, co-investment rights and other economic rights that may be material, reporting rights, excuse or exclusion rights, waiver of certain confidentiality obligations, certain rights or terms necessary in light of particular legal, regulatory or policy requirements of a particular investor, modification of representations, indemnification and/or liability and other obligations, additional obligations and restrictions with respect to structuring particular investments in light of the legal and regulatory considerations applicable to a particular investor, veto rights, and liquidity or transfer rights. Such additional rights, terms or conditions are generally disclosed to other investors in a given Fund, and such other investors may have the opportunity to elect certain Side Letter provisions, only in accordance with the applicable Fund Documents of that specific Fund. Also, investors will have no recourse against a Fund, the applicable Fund’s General Partner, FP or their respective affiliates in the event that certain investors receive additional or different rights or terms pursuant to such Side Letters, some of which may impact the rights and/or increase the obligations of other investors. In addition, side letter arrangements with certain investors of the Funds impose additional restrictions on investing in certain types of assets, geographies or industries in order to meet certain legal, tax, regulatory, internal policy or other requirements of such investors. While these restrictions are intended to apply solely to such investors, they may ultimately restrict the investments made by an applicable Fund.

Additionally, as described in Item 11 below, from time to time, pursuant to the terms of the relevant Fund Document of the applicable Fund and FP’s policies, FP expects to provide (or to agree to provide) co-investment opportunities (including the opportunity to participate in co-invest vehicles) to other FP Funds, as well as certain other parties with which FP has a relationship, such as limited partners, other private fund sponsors, corporates, certain strategic advisors, and single investor vehicles.

Any restrictions on investments in certain types of securities are established by the General Partner of the applicable Fund and are set forth in the documentation received by each limited partner prior to investment in such Fund. Once invested in a Fund, investors cannot impose restrictions on the types of securities in which such Fund can invest.

As of December 31, 2023, FP managed approximately \$45,013,320,973 of Fund assets, all of which is managed on a discretionary<sup>2</sup> basis.

FP does not currently participate as investment manager in any wrap fee programs.

---

<sup>2</sup> FP does not have ultimate investment discretion with respect to the assets of any Fund as such discretion is retained by the applicable General Partner of each Fund.

## Item 5. Fees and Compensation

The information contained herein is a summary only and is qualified in its entirety by the relevant Fund Documents. It is critical that investors refer to the relevant Fund Documents for a complete understanding of expenses they may pay through an investment in the Funds.

As compensation for investment advisory services rendered to the Funds, FP receives from each Fund an annual management fee typically calculated based on committed capital or remaining invested capital with respect to each Fund, payable either: (i) quarterly (in advance); or (ii) semi-annually (with each installment representing a payment in arrears for the one quarter-month period preceding the due date and in advance for the five and three quarter-month period following the due date). Installments of the management fee payable for any period other than a full quarterly or semi-annual period are adjusted on a pro rata basis according to the actual number of days in such period. Upon termination of an Advisory Agreement, management fees that have been prepaid but have not been earned are generally returned on a prorated basis. Management fees paid by a Fund are indirectly borne by the investors in such Fund. As described below, FP is permitted to reduce or waive the management fee in some circumstances in connection with the receipt by FP or its related persons of various fees paid by actual or prospective portfolio companies.

The management fee is also generally subject to waiver or reduction by the General Partner of such Fund, in its sole discretion, in connection with investments made in the Funds by the applicable General Partner or certain affiliated or related persons. The fee structures described herein may be modified from time to time. Fees may differ from one Fund to another, as well as among investors in the same Fund.

Certain waived portions of the management fee are treated by the Fund Document of the relevant Fund as a deemed capital contribution by the relevant General Partner, which is effectively invested in the relevant Fund on such General Partner's behalf. Any such contribution reduces the amount of capital contributions the relevant General Partner would otherwise be required to contribute to the relevant Fund. Any balance of fees or waivers eligible for offset against the management fee which have not been offset by the subsequent reduction of the management fee prior to the dissolution of a Fund shall be paid by the General Partner to the investors.

Funds will also allocate a portion of their investment profits to their General Partners, as a “**carried interest**,” as discussed in Item 6 below.

In addition to the management fee and carried interest payable to FP and the General Partners, respectively, each Fund bears certain expenses. As set forth more fully in the applicable Fund Document of each Fund, each Fund bears all expenses relating to such Fund's activities, investments, and business to the extent not reimbursed by a portfolio company, including fees, costs, expenses, liabilities and obligations attributable to structuring, organizing, acquiring, identifying, sourcing, pursuing, negotiating, investigating (and conducting diligence with respect to), developing, researching, financing (including the costs and expenses incurred in obtaining, negotiating, entering into, effecting, maintaining, varying or terminating such borrowings and commitments and interest arising therefrom), re-financing, holding, managing, operating, valuing,

dissolving, winding up, liquidating, terminating, restructuring, taking public or private, selling or otherwise disposing of such Fund's investments (including follow-on investments), interest, legal (including all litigation (including discovery requests), arbitration, settlement and indemnification costs, expenses, judgments and settlements), auditing, consulting (including fees of affiliated consultants and including consulting and retainer fees and other compensation or expense reimbursements paid to, provided to or on behalf of consultants performing investment initiatives or providing services related to environmental, social, and governance ("ESG") investment considerations including for compliance with impact or ESG initiatives, principles or policies, and other consultants), engineering, research (including any research or other service that may be deemed to be bundled for the benefit of such Fund), as well as the information technology systems used to obtain such research and other information, accounting, administration, brokerage, depositary (including pursuant to the EU Alternative Investment Fund Managers Directive (2011/61/EU)), costs associated with a Swiss representative and paying agent (pursuant to the Swiss Collective Investment Schemes Act dated June 23, 2006 (as amended) and the Financial Services Act 2018 and the implementation thereof), third party diligence software and service providers, subject and industry-matter research and experts, custody, currency conversion, account, finder fees and expenses, all insurance premiums for director and officer liability and errors and omissions insurance, financial institution bond insurance, cybersecurity insurance premiums and extraordinary administrative or operating expenses, including insurance of which FP and its affiliates are beneficiaries, preparation and filing of financial statements, tax returns, reporting, registration, Advisory Board (as defined below) meeting expenses (and including set-up costs, speaker fees, honoraria, dining, entertainment, travel, and travel-related expenses) as well as other Advisory Board expenses (including legal counsel, accountants, auditors, financial advisors or any other advisors or experts retained to assist the Advisory Board and other expenses incurred in connection with Advisory Board action), limited partner meetings and related meal and entertainment expenses, travel (including, where appropriate, meal and entertainment expenses, and as specified in the applicable Fund Document, first class commercial airfare or the cost in excess of first class commercial airfare on a limited basis), extraordinary expenses and other similar fees and expenses, including such fees and expenses, or other liabilities or obligations, incurred for transactions not consummated ("**Broken Deal Expenses**") (including certain advisory, transaction, consulting, and other similar fees paid to FP or FP's affiliates, and those expenses and fees attributable to transactions in which co-investment may have been contemplated), expenses incurred in connection with the disposition of investments (including closing, execution and other transaction costs), expenses and fees generated in the course of organizing, maintaining, administering, restructuring, operating, and negotiating joint ventures arrangements or platform investments, expenses associated with the preparation, distribution or filing of Fund-related or investment-related financial statements, tax returns, tax estimates, Schedules K-1 (or equivalent), and a Fund's compliance with applicable laws regulations, including administrative or regulatory filings or reports (including Form PF and/or filings pursuant to the Private Funds Act (As Revised) of the Cayman Islands) or other information as they relate to the Funds' activities, including fees, costs, and expenses of any third party service providers and professionals related to the foregoing, and out-of-pocket costs and expenses, if any, associated with any third party examination or audits (including similar services) of a Fund or FP that are attributable to the operation of such Fund or requested by one or more investors in a Fund, compliance with any financial account reporting regime applicable to the Fund, any alternative investment vehicle, and/or the General Partner (including FATCA, the OECD Standard for

Automatic Exchange of Financial Account Information - Common Reporting Standard, and any similar laws, rules and regulations), and any fees, costs and expenses of any third party service providers and professionals related to the foregoing, expenses incurred in connection with complying with provisions in investor Side Letters, including “most favored nation” provisions, the costs and expenses of hosting annual or special meetings or conferences of the Funds’ investors (including set-up costs, venue presentation, speaker fees, lodging, honoraria, dining, entertainment, travel, and travel-related and other expenses and other meeting or conference-related costs regardless of whether all investors are invited to participate in or attend such meetings), meetings with one or more prospective investor(s) during fundraising (including prospective investors during fundraising and current Fund investors), and any other fees and expenses approved by a Fund’s Advisory Board. Each Fund also bears expenses indirectly to the extent a portfolio company pays expenses, including certain expenses of FP and/or its affiliates. Except as described above as a Fund expense or other portfolio company expense, each General Partner generally will pay all ordinary administrative and overhead expenses incurred in connection with maintaining and operating its office(s), including employees’ salaries, rent, utilities, and similar overhead expenses, as specified in the applicable Fund Document and FP’s policies. As is typical for private investment funds, the Funds likely bear additional and greater expenses, directly or indirectly, than many other pooled investment products, such as mutual funds.

From time to time, in connection with the administration of one or more of the Funds, FP engages one or more fund administrators or similar service providers to perform certain functions in relation to the Funds, which services may include coordination of the Funds’ legal, actuarial, accounting, auditing, administration (including fees and expenses associated with the Fund’s third party administrator and administration or reporting software, web portal or extranet, if any), prime brokerage, loan servicing and pricing, lending, banking, anti-money laundering, clearing and settlement, syndication and solicitation, arranger, legal entity management function, rating agency, execution, and recordkeeping associated with applicable tax elections and filings, support for the valuation process and investor correspondence, and investor data management and reporting requests as well as data collection required for various regulatory reporting with which the Funds are required to comply. In certain instances, employees of such service providers dedicate substantially all of their time to the Funds and the expenses related to such service provider employees are borne by the Funds, even if there is some overlap in services performed by such third-party administrator and FP personnel.

From time to time, the General Partner of a Fund creates certain “special purpose vehicles” or similar structuring vehicles for purposes of accommodating certain tax, legal, and regulatory considerations of investors (“SPVs”). In the event the General Partner creates an SPV, consistent with the Fund Document of the applicable FP Fund, expenses related to its organization and formation and other expenses incurred solely for the benefit of the SPV will typically be borne by the SPV, and indirectly, the investors thereof. In addition, expenses of the types borne by a Fund but associated with any feeder fund or similar vehicle organized to facilitate the participation of certain investors in the Fund (including, without limitation, expenses of accounting and tax services) may be borne solely by the Fund and indirectly, the investors thereof (under certain circumstances, even if such investors do not participate in any such feeder fund or similar vehicle). The costs and expenses of and any reductions in returns of (including those related to operation, winding up, dissolution and liquidation of, and all taxes incurred in connection with, related to or



imposed on that the General Partner determines are attributable to) each feeder fund and any intermediate entities through which such feeder fund invests in a Fund will typically be borne by the limited partners participating in such feeder fund. Partnership expenses and organizational expenses of a Fund will be shared pro rata by the feeder funds that invest in such Fund.

For certain Funds, expense reimbursements are payable to FP or its affiliates. The nature of these expense reimbursements is disclosed to investors in the relevant Fund Documents. Portfolio companies may reimburse certain expenses to FP or its affiliates including, without limitation, travel and travel-related expenses, meals and entertainment (including, as applicable, transportation), social and entertainment events with actual or potential portfolio company management and/or employees, clients, borrowers, brokers, and service providers, expenses relating to training programs, meetings or other events (whether or not such programs, meetings or events are attended by portfolio company personnel), expenses relating to hiring portfolio company personnel (including background checks, recruiting, and relocation expenses), settlement and indemnification expenses, and certain legal expenses (including legal costs associated with reviewing financing documents and agreements, whether on behalf of a portfolio company borrower or a lender) and similar out-of-pocket expenses, as well as consulting fees and other cash and non-cash compensation and expenses incurred by FP in connection with its performance of services for such portfolio company. These expense reimbursements are in addition to the management fees discussed above as well as similar expense reimbursements in connection with services provided by Francisco Partners Consulting, LLC (“FPC”) as described more fully below within this Item 5. As used throughout this brochure, “travel and travel-related” includes all travel expenses for the use of private aircraft, first class or business class travel, black car ground transportation, accommodations, meals, events, and entertainment.

In certain circumstances, one Fund is expected to pay an expense common to multiple Funds (including without limitation legal expenses for a transaction in which all such Funds participate, or other fees or expenses in connection with services the benefit of which are received by other Funds over time), and be reimbursed by the other Funds by their share of such expense. In certain circumstances, FP is expected to advance amounts related to the foregoing and receive reimbursement from the Funds to which such expenses relate. Such allocations require judgments as to methodology that FP makes in good faith but in its sole discretion. Notwithstanding the foregoing, the portion of an expense allocated to a Fund for a particular service will not always reflect the relative benefit derived by such Fund from that service in any particular instance and FP will, under certain circumstances, determine an allocation of expenses to be fair and equitable even where a Fund is required to bear more than its proportional share of such fees or expenses relative to other Funds receiving the same service or participating in the same transaction. In addition, a Fund will bear more or less of a particular expense based on the methodology used, and a Fund will bear more or less of a particular expense based on the number of Funds FP selects to bear the expense in its initial allocation determination. When making expense allocation determinations, FP generally will allocate an expense to one or more Funds that are in existence and identified as such at the time the expense allocation determination is made. Accordingly, it can be expected that in certain cases Funds that were not in existence or otherwise identified as Funds at the time an expense is allocated will ultimately benefit from a particular expense, without having borne any portion of such expense, and in such cases FP will not re-allocate the expense to each such future Fund, and such future Fund(s) will benefit at the expense of other Funds.

The Funds have different expense reimbursement terms, including with respect to management fee offsets, which may result in the Funds bearing different levels of expenses with respect to the same investment. In addition, there may be occasions where a Fund procures borrowing through a subscription line or credit facility in order to make an investment, syndicating out a portion of the investment to another Fund. Subject to the Fund Documents, the borrowing Fund and the other FP Fund to which the investment was syndicated will share the cost of interest from the borrowing.

From time to time, FP will be required to decide whether certain fees, costs, and expenses should be borne by a Fund, on the one hand, or FP, on the other hand, and/or whether certain fees, costs, and expenses should be allocated between or among Funds and/or other parties. Certain expenses may be the obligation of one particular Fund and may be borne by such Fund or, expenses may be allocated among multiple Funds and entities. FP allocates fees and expenses in accordance with the relevant Fund Documents and FP's policies.

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

As described below in Item 11, in certain circumstances, the relevant General Partner is expected to permit certain investors to co-invest in portfolio companies alongside one or more Funds, subject to FP's policies and the relevant Fund Documents and/or Side Letter(s). In addition, FP advises one or more dedicated co-investment vehicles that will invest in some or all of the Funds' investments suitable for co-investment. Such dedicated co-investment vehicles may have more favorable rights and/or terms than the Funds and/or other co-investors. Consistent with the relevant Fund Document of a Fund, if a portfolio company-specific co-investment vehicle is formed, such entity will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. In the instance of a portfolio company-specific co-investment vehicle, if 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, ultimately is not consummated, Broken Deal Expenses related to such unconsummated transaction are generally borne entirely by the Fund(s), and not by any prospective co-investors that would have participated in such transaction; even if co-investors have otherwise committed to invest in the proposed transaction. FP intends to structure co-investment opportunities such that the proposed participants in such co-investment opportunities do not bear any Broken Deal Expenses. In most cases, FP expects that proposed participants in co-investments (other than FP Funds that have agreed to bear Broken Deal Expenses) will not bear Broken Deal Expenses, and only the Fund (and any FP Funds that have agreed to bear Broken Deal Expenses) will bear all such Broken Deal Expenses, which will result in the Fund bearing more than its pro rata share of Broken Deal Expenses. For example, it is possible that a co-investor will not agree to share expenses with a Fund if a transaction is not consummated. For the avoidance of doubt, co-investors including committed co-investment vehicles managed by FP or its affiliates and co-investors that have a Side Letter or similar right to co-invest alongside the Fund in every investment typically are not expected to bear Broken Deal

Expenses, and the Fund will instead bear such expenses. Similarly, in the instance of a dedicated co-investment vehicle, Broken Deal Expenses will generally be paid entirely by the Fund(s) and not by such dedicated co-investment vehicle (except to the extent the dedicated co-investment vehicle has, in its sole discretion, agreed to do so with respect to specific investment opportunities in the binding transaction documents for such investment). Any Broken Deal Expenses borne by the Funds in accordance with this paragraph will be allocated to the Fund or Funds selected by FP as proposed investors for such proposed transaction as described in the relevant Fund Documents and FP's policies.

Broken Deal Expenses may include, among other things, legal, accounting advisory, consulting or other third-party expenses (including amounts payable to FPC), any travel and travel-related expenses, all fees, costs and expenses of lenders, investment banks, and other financing sources in connection with arranging financing for a proposed investment (including commitment fees), any break-up fees, reverse termination fees, topping, termination or other similar fees, costs of negotiating co-investment documentation (including non-disclosure agreements with counterparties), the costs from onboarding (*i.e.*, KYC) investment entities with a financial institution, expenses incurred in connection with any tax, audit, investigation, settlement or review of the Funds, extraordinary expenses such as litigation costs and judgments and other expenses, and any deposits or down payments of cash or other property which are forfeited in connection with a proposed investment that is not consummated.

FP will evaluate the facts and circumstances including, without limitation, timing of the transaction, benefit to the Fund to have co-investors participate in a particular transaction, and relative negotiating power. FP will have discretion in determining whether a particular allocation among Fund(s), co-investors or dedicated co-investment vehicles is fair and equitable. This discretion creates a potential conflict of interest as FP may have incentive to allocate expenses to a particular Fund over another Fund and such discretion may result in a Fund bearing more than its pro rata portion of certain fees, costs, and expenses (including Broken Deal Expenses).

To the extent determined to be fair and equitable by FP in its sole discretion, any fees and expenses incurred in connection with the organization of a portfolio company-specific co-investment vehicle (including fees and expenses related to negotiating the governing documents of such co-investment vehicle as well as fees and expenses described above) that is expected to invest alongside the Funds in an investment are expected to be borne by the Funds to the extent such portfolio company-specific co-investment vehicle does not ultimately make such investment, whether or not such investment is consummated by the Funds.

From time to time, certain Funds may incur certain ongoing expenses that benefit a co-investment vehicle or co-investor. In such instances, and to the extent determined to be fair and equitable by FP in its sole discretion, these ongoing expenses may be borne solely by the applicable Fund or Funds and may not be borne by any benefiting co-investment vehicle or co-investor.

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

FP and its affiliates typically perform management, advisory, transaction-related services, financial advisory, and other services (“**Related Services**”) for actual or prospective portfolio companies or other deal-related investment vehicles of the Funds, including services in connection with mergers, acquisitions, add-on acquisitions, financings, refinancings, dividend recapitalizations, public offerings, sales, credit origination, loan syndication, loan arrangement, loan servicing, and similar transactions. FP and its affiliates, from time to time, receive cash, equity, and other non-cash fees, and reimbursements for certain out-of-pocket expenses, for such Related Services which have historically and could in the future exceed the management fee. In certain cases, such fees will be paid in securities of portfolio companies or investment vehicles (or rights thereto) or otherwise. In such event, the recipient may act in their own interest with respect to the securities received as a Related Service fee, including, for instance, determining to sell the distributed securities, or hold the distributed securities for such time as such recipient shall determine. The ability of such recipients to act in their own interest with respect to the securities received as a Related Service fee creates a conflict of interest between FP, as an adviser to the Funds and its affiliates, on the one hand, and the Fund, on the other hand, because the recipient’s interests may not be aligned with those of the Funds and the recipient may determine to sell the securities received at a different time, or on different terms, than the Fund would sell its interest.

Although Related Services fees are in addition to the management fees paid by the Funds, FP will, in some circumstances, reduce future management fees in connection with the receipt of these Related Services fees. The calculation of such reduction varies from Fund to Fund and is described in the applicable Fund Document. Generally, under the terms of the applicable Fund Document or Advisory Agreement, for purposes of calculating a reduction, such fees charged in connection with the Related Services are net of out-of-pocket expenses incurred by FP in connection with consummated or unconsummated transactions or in connection with generating any such fees. Additionally, any placement fees paid by the Funds in connection with arranging the Funds result in a reduction of management fees. All such reductions will be credited on a regular basis and, in general, in the subsequent quarterly or six month period, as applicable. To the extent any such credit would reduce the management fee for a given management fee period below zero, such credit will be carried forward for future application. To the extent any such excess remains unapplied upon dissolution of a Fund, each limited partner of such Fund generally will receive its share of such unapplied excess, unless such limited partner elects not to receive its share. Generally, the portion of the fees subject to offset allocable to capital invested by a Fund, co-investment vehicle or third party investor that does not pay management fees or to capital committed by an investor that does not pay management fees will be retained by FP and such amounts will not offset the management fee. The amount of these fees is disclosed in the annual financial statements of the applicable Fund.

For the avoidance of doubt, any fees paid to FP or its personnel in respect of Related Services after a Fund has exited (or is in the process of exiting) an investment do not reduce the management fee.

Any fees that accrue to the benefit of former FP employees or other persons who are or become unaffiliated with FP (even if any such fee is earned during their tenure with FP) do not reduce the management fee or otherwise benefit the Funds or their investors. Similarly, any fees that accrue to the benefit of FP employees or other persons who are affiliated with FP prior to their association

with FP (even if any fee received in kind is realized or otherwise converted to cash during their tenure with FP) do not reduce the management fee or otherwise benefit the Funds or their investors.

Certain other fees and reimbursements that are generally not considered a Related Service fee and do not reduce the management fee payable by a Fund include, but are not limited to, the following: (i) fees or expenses borne by a Fund directly; and (ii) any amounts paid by a former portfolio company, such as directors' fees a former portfolio company pays an FP employee who remains on the company's board of directors following the Fund's disposition of its investment in the company.

From time to time, FP may, in its sole discretion, agree to pay a portion of a Related Service fee received from an actual or prospective portfolio company to a third party ("**Third Party Fee**"), such as a consultant, advisor, finder, broker, investor, co-investor or investment bank. In such event, the Third Party Fee is not a fee that FP is entitled to retain and therefore, FP is not required under the terms of the applicable Fund Document to share such Third Party Fee with the Funds.

In many cases, with respect to the implementation of the arrangements described above, there is not an independent third party involved on behalf of the relevant portfolio company. FP and/or its affiliates have discretion over whether to charge Related Services fees or other compensation to a portfolio company and, if so, the rate, timing, and amount of such fees or other compensation. The ability to charge such compensation generally will give rise to potential conflicts of interest between the Funds, on the one hand, and FP and its affiliates, on the other hand.

As discussed below in Item 11, certain of the Funds and their portfolio companies from time to time, engage FPC to provide management and operational consulting services. Therefore, Funds, either directly or through the portfolio companies in which they invest, bear the cost of such consulting services provided by FPC. FPC is not an affiliate of FP. FPC is owned by its senior management and FPC service providers are generally referred to by FP as operating partners ("**Operating Partners**") or operating advisors ("**Operating Advisors**"). FPC brings deep operational expertise to its engagements with portfolio companies and the Funds. A further discussion of FPC's services is in Item 11 below.

FPC fees, including compensation paid to FPC's Operating Partners and Operating Advisors (which may include cash compensation, portfolio company stock options, and/or carried interest in the Funds), as well as expense reimbursements, are retained by FPC, are not shared with FP, and do not reduce the management fees paid by the Funds. As discussed above, FP and/or the applicable General Partners have discretion over whether to charge consulting fees to a portfolio company and, if so, the fee rate and amount. FPC fees will, from time to time, also be incurred in respect of portfolio companies and investment targets that do not become portfolio companies. In such cases, in the event FPC (directly or indirectly) provides services with respect to the Funds (or to the extent such services are provided without reference to a particular portfolio company), such FPC fees will be allocated among the Funds as determined by FP, consistent with the Fund Documents of the applicable Funds and consistent with the treatment of other Broken Deal Expenses. FP's determination as to the allocation of such fees and expenses shall be binding on the relevant Fund and its investors.

The fact that FPC charges consulting fees and other compensation to the Funds and portfolio companies may give rise to potential conflicts of interest between the Funds, on the one hand, and FP and or its affiliates, on the other hand, as discussed in Item 11 below; however, FP believes engaging FPC to perform these services is in the best interest of the Funds.

When FP utilizes the services of broker-dealers for limited purposes relating to transaction-related services for a Fund, such Fund will incur brokerage and other transaction costs. For additional information regarding brokerage practices, see Item 12 below.

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

FP Funds other than Parallel Funds (as defined below) allocate a portion of their investment profits to their General Partners, which are affiliated with FP, as a carried interest (as defined above), as set forth in each Fund Document and briefly discussed above in Item 5. Such allocation of profits is only allocated to the General Partner when specific conditions are met, including that a preferred return on such investment has been achieved. Funds also allocate a portion of their investment profits to their General Partners in relation to previous management fee waivers or reductions by the General Partner of such Fund in connection with investments made on behalf of the General Partner. The General Partners' entitlement to performance-based allocations may create an incentive for FP to take risks in managing the Funds that it would not otherwise take in the absence of such performance-based arrangements, though FP generally considers performance-based compensation to better align its interests with those of its investors. Each General Partner of a Fund is a related person of FP. Carried interest paid by a Fund is indirectly borne by investors in such Fund. Certain Funds and investors in such Funds may incur lower or no carried interest.

As described above, the General Partners receive a carried interest allocation on certain profits in the Funds. FP also advises private funds that are not subject to management fees or performance-based compensation (the "**Parallel Funds**"). While this practice could present a conflict of interest, FP does not believe this arrangement poses a conflict of interest in practice because such Parallel Funds invest in parallel with the Funds that are subject to carried interest. Such investments are generally made and disposed of on the same terms and on a pro rata basis.

The payment by some, but not all, Funds of carried interest, or the payment of carried interest at varying effective rates based on the performance of a Fund, creates an incentive for FP to disproportionately allocate time, services or functions to Funds paying carried interest at a higher effective rate, or to allocate investment opportunities to such Funds. Generally, and except as may be otherwise set forth in the Fund Documents of the Funds, this conflict is mitigated, at least in part, by: (i) certain limitations on the ability of FP to establish new investment funds; (ii) contractual provisions requiring certain Funds to purchase and sell investments contemporaneously; and/or (iii) contractual provisions and procedures setting forth investment allocation requirements. See also Item 11 below for additional information relating to how conflicts of interests are generally addressed by FP, including with respect to investment allocations and overlapping investment strategies.

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

As described in Item 4 above, FP provides discretionary investment management services to the Funds in accordance with the terms of the relevant Fund Documents. The Funds are generally domestic and foreign limited partnerships, limited liability companies, and other vehicles that are not registered or required to be registered under the Investment Company Act. In addition, the securities issued by the Funds are not registered or required to be registered under the Securities Act and are generally privately placed to qualified investors in the United States and elsewhere. Investment in the Funds is generally only available to institutional investors and certain high net worth investors that are “accredited investors” and/or “qualified purchasers,” within the meaning of Rule 501 of Regulation D under the Securities Act, and as defined in Section 2(a)(51) of the Investment Company Act, respectively.

Investors include, among others, governmental and corporate pension and profit-sharing plans, endowments, private investment funds, insurance companies, sovereign wealth funds, funds of funds, family offices, and certain high net worth individuals. All investors are subject to applicable suitability requirements. Also, an FP employee who qualifies as a “knowledgeable employee” within the meaning of Rule 3c-5 of the Investment Company Act may make a capital commitment to one or more of the Funds. Additionally, other persons associated with the Firm and/or its affiliates, including the General Partners, and certain of the personnel of FPC or other service providers retained by the Firm have a capital commitment to one or more of the Funds.

The Funds generally have a specified minimum investment commitment as set forth in the Fund Documents, subject to the relevant General Partner’s discretion to accept investment commitments of lesser amounts. As a general matter, there is no minimum capital commitment amount for investors in certain alternative investment vehicles or co-investment vehicles, except as required under applicable law.



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

FP's investment strategies are discussed in more detail below within this Item 8. Each Fund's Fund Document sets forth the terms of an investment in the Fund and identifies the Fund's investment objectives along with risk factors. The Fund Documents contain additional information on the risks associated with an investment in the respective Funds and should be reviewed by any prospective investor.

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

The Firm has developed extensive intellectual property across a wide range of technology sectors, including, but not limited to, application software, infrastructure software, internet, communications, semiconductors and capital equipment, systems, security, healthcare technology, financial technology, education technology, and industrial technology, all of which are used to support the FP Funds in the analysis and understanding of the companies and debt instruments in which the FP Funds invest. This focused approach allows FP to develop proprietary investment ideas and maintain specialized networks to assist in the evaluation of potential equity and credit investment opportunities.

***FP Equity:*** FP Equity's strategy is primarily focused on middle market and lower-middle market technology investing. FP Equity seeks to provide transformational capital in situations involving operational complexity, strategic change or other business inflection points and typically invests in public company buyouts, divisional carve-outs, private company recapitalizations, growth equity, and sponsored M&A transactions. Frequently used components of FP's Equity strategy are a value and control orientation and building resiliency into investments both through use of leverage and by purchasing highly structured securities with downside protection. Many of the Firm's FP Equity investments have low purchase price multiples and employ leverage. FP Equity is intended to result in a portfolio with a prudent risk/reward profile, focus on capital preservation, and portfolio company balance sheet resiliency.

***FP Credit:*** FP Credit's strategy is primarily focused on tech-enabled credit opportunities across three sub-strategies: (1) proprietary origination; (2) opportunistic; and (3) stressed/distressed. FP Credit leverages the FP Equity platform to identify and support the evaluation of attractive credit opportunities.

In evaluating potential portfolio companies, FP conducts extensive due diligence to analyze, among other aspects, a company's market and competitive position within that market, cost and revenue drivers, management teams, intellectual property, potential growth opportunities, and potential sources of investment exit.

Both the FP Equity investment committee (the "**Equity IC**") and the FP Credit investment committee (the "**Credit IC**") generally meet on a weekly basis to discuss potential and pending investment and divestment opportunities for the FP Equity Funds or the FP Credit Funds, respectively. FP Equity or FP Credit transaction teams conduct a detailed review of the relevant investment opportunity or transaction to facilitate an in-depth discussion with the Equity IC or Credit IC, as applicable, regarding the target company or business, the investment thesis, and deal

tactics. The Equity IC and the Credit IC will generally conduct multiple reviews of a particular investment opportunity or transaction prior to investment as well as during investment and at the time of exit.

## **Risk Factors**

Investing in the Funds involves a substantial degree of risk. A Fund may lose all or a substantial portion of its capital in investments and investors in Funds must be prepared to bear the risk of loss of their investments in a Fund. There can be no assurance that the Funds' investment objectives will be achieved or that an investor will receive a return of its capital.

Any losses incurred by investors in a Fund will be borne solely by such investors and not by FP or its affiliates; therefore, any losses of FP and its affiliates in such Fund will be limited to losses attributable to their ownership interests in such Fund in their capacity as investors in the Fund.

In addition, material risks relating to the investment strategies and methods of analysis described above include the following, each of which is described in more detail in the applicable Fund Document. As noted above, FP encourages prospective investors to carefully review the full description of risk factors presented in the applicable Fund Document prior to making a decision to invest in a Fund.

*Business Risks; Future and Past Performance.* Although FP and certain principals of the General Partner in a Fund have extensive investment experience, the past activities and/or the performance results of the principals' and other investment team members (including, in certain instances, at their prior firm(s)) are not necessarily indicative of the future activities, results or performance of a Fund. There can be no assurance that a Fund will be able to (i) successfully identify, make and realize upon any particular investment, (ii) successfully implement a Fund's investment strategy or (iii) generate returns for its investors or the General Partner (or that such returns will be commensurate with the risks associated with an investment in a Fund). While the General Partners intend for the Funds to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that any targeted internal rate of return will be achieved. On any given investment, loss of principal is possible. Furthermore, there can be no assurances that any investors will receive any distribution or return of capital from a Fund. All investments involve the risk of loss of capital. An investment in a Fund is speculative and involves a high degree of business and financial risk that can result in substantial losses. Accordingly, an investment in a Fund should only be considered by persons or entities who can afford a loss of their entire investment.

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

*Reliance on Management.* Decisions with respect to the management of each Fund will be made by the General Partner of such Fund with the advice of FP. The success of a Fund will depend on the ability of its General Partner and FP to identify and consummate investments, to improve the operating performance of portfolio companies, and to dispose of investments of such Fund at a

profit. The loss of the services of one or more members of the professional staff of FP or the partners of the General Partner of a Fund could have an adverse impact on such Fund's ability to realize its investment objective. In addition, all of the personnel responsible for managing a particular Fund generally will continue to have responsibilities with respect to other Funds managed by FP. Thus, such persons will have demands made on their time for the investment, monitoring, exit strategy, and other functions of other Funds.

*Misconduct of Employees, Independent Contractors and Third-Party Service Providers.* Misconduct or misrepresentations by employees and independent contractors of FP, FP, or a portfolio company, or by third-party service providers could cause significant losses to the Funds. Employee or independent contractor misconduct may include binding the Funds or a portfolio company to transactions that exceed authorized limits or present unacceptable risks and unauthorized trading activities, concealing unsuccessful trading activities (which, in either case, may result in unknown and unmanaged risks or losses) or making misrepresentations regarding any of the foregoing. Losses could also result from actions by third-party service providers, including, without limitation, failing to recognize transactions and misappropriating assets. In addition, employees, independent contractors and third-party service providers may improperly use or disclose confidential information, which could result in litigation or serious financial harm, including limiting the Funds' business prospects or future marketing activities. Despite the FP's due diligence efforts, misconduct and intentional misrepresentations may be undetected or not fully comprehended, thereby potentially undermining such due diligence efforts. As a result, no assurances can be given that the due diligence performed by FP will identify or prevent any such misconduct.

*Diversification.* There is no assurance as to the degree of diversification that will actually be achieved in a Fund's investments. Because a meaningful portion of a Fund's committed capital may be invested in a single industry or portfolio company, a loss with respect to such an industry or portfolio company could have a significant adverse effect on such Fund's returns.

*Concentration of Investments.* Funds participate in a limited number of investments (and may seek to make several investments in one industry or one industry segment or within a short period of time). As a result, a Fund's investment portfolio could become highly concentrated, and the performance of a few holdings or of a particular industry may substantially affect its aggregate return. Funds typically focus on investments in middle market and lower-middle market technology companies. Instability, fluctuation or an overall decline within the technology industry will likely not be balanced by investments in other industries not so affected. In the event that the technology sector as a whole declines, returns to Fund investors may decrease.

*Syndication Risks.* A Fund may acquire and/or originate loans and/or other debt instruments (or pools thereof) with the intention of syndicating to other parties all or a portion of its investment following the initial signing or consummation thereof. Investments made with a view towards syndication will not be subject to the diversification limitations in the Fund Documents, which would be expected to increase the overall concentration of a Fund's investment portfolio in a relatively small number of investments and issuers. There can be no assurance that any intended syndication will be completed in whole or in part, and/or that the terms thereof will be advantageous to a Fund, which may adversely affect the performance of such investment. Any

failure to syndicate such loans and/or other interests would similarly be expected to increase the concentration of a Fund's investment portfolio and its susceptibility to adverse changes in the performance and/or creditworthiness of a small number of investments or issuers. Furthermore, a syndication of an investment could give rise to actual or potential conflicts of interest. By executing a subscription agreement for interests in a Fund, an investor will be deemed to have waived all related conflicts of interest in respect of and consent to all such transactions to the fullest extent permitted by law.

*Risks Inherently Associated with Technology Companies.* Technology companies often face specific risks which the Funds will also be exposed to by concentrating their investment strategy in such companies. Such risks typically include: (1) rapidly changing science and technologies; (2) new competing products and improvements in existing products which may quickly render existing products or technologies obsolete; (3) scarcity of management, technical, scientific, research, and marketing personnel with appropriate training; (4) the possibility of lawsuits related to patents and other intellectual property and their associated rights; and (5) rapidly changing investor sentiments and preferences with regard to technology sector investments. There is no assurance that products or services sold by the portfolio companies will not be rendered obsolete or adversely affected by competing products and services (which risk is heightened when investing in technology or tech-enabled companies) or that the portfolio companies will not be adversely affected by other challenges including from the global macro environment.

*Intellectual Property.* Companies in the technology, technology-enabled, and other growth industries are often highly dependent upon intellectual property. Accordingly, an investment in one or more of the Funds involves a higher level of risk than an investment that is diversified across sectors that are less dependent upon intellectual property value. A portfolio company's ability to repay the relevant Fund or the value of relevant the Fund's investment may be dependent upon the value of such portfolio company's intellectual property. Portfolio companies may incur substantial costs to protect intellectual property, including litigation to enforce intellectual property rights and defend against intellectual property violation claims from other companies. There can be no assurances that a Fund or a portfolio company will be able to protect these rights. Litigation would involve a high degree of uncertainty. If the portfolio companies are unable to protect the value of their intellectual property or are found to violate other companies' intellectual property rights, or incur substantial legal costs, the value of the investments could be materially impaired, and the relevant Fund could incur losses.

Many target portfolio companies rely on a combination of patent, copyright, trademark, and trade secret protection and non-disclosure agreements to establish and protect proprietary rights. There can be no assurance that a Fund or a portfolio company will be able to protect these rights or will have the financial resources to do so, or that competitors will not develop technologies substantially equivalent or superior to a company's technologies, or allege patent infringement by a portfolio company. Piracy or any such allegations may adversely affect portfolio company revenue, particularly outside the U.S. in countries where laws are less protective of intellectual property rights. The absence of harmonized patent laws makes it more difficult to ensure consistent respect for patent rights. Reductions in the legal protection for software intellectual property rights could adversely affect portfolio companies.

*Lack of Sufficient Investment Opportunities.* The activity of identifying, structuring, completing, and realizing attractive investments that fall within a Fund's investment objectives is highly competitive and involves a high degree of uncertainty. The Funds will be competing for investments with other private investment vehicles, as well as individuals, companies, financial institutions, sovereign wealth funds and other investors. Further, over the past several years, an increasing number of private equity, private credit and hybrid funds have been or are being formed. In addition, an increasing number of funds have focused their strategies on technology or tech-enabled investments. Competition in the credit markets generally, and in the market for investing in private credit in regions such as the U.S. and Europe in particular, has increased significantly over recent years as investors continue to search for attractive risk-adjusted returns in a low yield global credit environment. Accordingly, while the General Partner believes that investing in opportunistic credit remains an attractive strategy, there is significant competition for attractively priced investments that may impact a Fund's ability to locate, complete and exit attractive credit-oriented investments, which may adversely impact returns to limited partners. Regardless of the volume of a Fund's investments, limited partners will be required to bear management fees through the applicable Fund's commitment period based on the entire amount of the limited partners' commitments to such Fund as well as other expenses, in each case as set forth in the applicable Fund Document.

*Growth Equity Transactions.* Certain Funds are permitted to target growth equity investments. While growth equity investments offer the opportunity for significant capital gains, such investments may involve a higher degree of business and financial risk that can result in substantial or total loss. Growth equity portfolio companies may operate at a loss or with substantial variations in operating results from period to period, and many will need substantial additional capital to support additional research and development activities or expansion, to achieve or maintain a competitive position, and/or to expand or develop management resources. Growth equity portfolio companies may face intense competition, including from companies with greater financial resources, better brand recognition, more extensive development, marketing and service capabilities, and a larger number of qualified managerial and technical personnel.

*Need for Follow-On Investments.* Following its initial investment in a given portfolio company, a Fund may decide to make an additional investment in such portfolio company. There is no assurance that a Fund will make follow-on investments or that such Fund will have sufficient funds to make all or any of such investments. Any decision by a Fund not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment. Additionally, such failure to make such investments may result in a lost opportunity for a Fund to increase its participation in a portfolio company or the dilution of such Fund's ownership in a portfolio company if a third party invests in such portfolio company.

*Financial Market Fluctuations.* Turmoil such as that still being experienced by the U.S. and global financial markets as a result of the COVID-19 pandemic, and such as markets endured during the global financial crisis of 2008, illustrates the risk that the financial markets can experience uncertainty, volatility and instability, potentially for protracted periods of time. The financial services industry generally and investment activities are affected by general economic and market conditions, including interest rates, availability of credit, lack of price transparency, inflation rates,

economic uncertainty, changes in tax and other applicable laws and regulations, trade barriers, national and international and environmental and socioeconomic circumstances. Lending and the global credit markets may experience substantial volatility, disruption, liquidity shortages and to some extent financial instability. Global financial markets in the past have experienced considerable and prolonged declines in the valuations of equity and debt securities and periodic acute contraction in the availability of credit. There can be no assurances that conditions in the global financial markets will not worsen and/or adversely affect one or more of the Funds' portfolio investments (including with respect to performing under or refinancing their existing obligations), their access to capital or leverage, their ability to effectively deploy their capital or realize investments on favorable terms, or their overall performance. Please see "Coronavirus and Public Health Emergencies" for additional important considerations regarding global economic conditions.

General fluctuations in the market prices of securities and interest rates may adversely affect the value of the Funds' portfolio investments and/or increase the risks associated with the Funds' portfolio investments. In particular, conditions in the credit markets may have a significant impact on the business of the Funds.

Disruption of the global credit markets, which may lead to instability in the global financial system generally as seen, for example, during the 2008 global financial crisis, makes it significantly more difficult for financial sponsors to obtain favorable financing terms for their investments. There can be no assurances that the current downturn in the global financial market conditions will not persist and that such downturn as well as market fluctuations will not adversely affect one or more of the Funds' portfolio companies, including with respect to performing under or refinancing their existing obligations, their access to capital or leverage, their ability to effectively deploy capital or realize investments on favorable terms or their overall performance.

Similarly, there can be no assurance that the Funds will not suffer material adverse effects from broad and/or rapid changes in market conditions in the future. The level of investment opportunities may decline from FP's current expectations, making fewer investment opportunities available to the Funds (although, during a time of challenging market conditions, it is possible there could be opportunities to take larger positions in the transactions that do occur). Another possible consequence of a constrained credit market is that the Funds may take a longer than anticipated period to invest capital, as a result of which, at least for some period of time, the Funds may be more concentrated in a limited number of investments than expected. Consequently, during this period, the returns realized by the Funds (and thus investors) may be substantially adversely affected by the unfavorable performance of a small number of these investments.

Furthermore, market conditions may unfavorably impact the Funds' ability to secure leverage on terms as favorable as more established borrowers in the market, or to obtain any leverage on commercially feasible terms. To the extent the Funds are able to secure financing for investments, increases in interest rates or in the risk spread demanded by financing sources would make the partial financing of investments with indebtedness more expensive and could limit the Funds' ability to structure and consummate its investments. Although FP believes that the continued unfolding of the credit cycle will result in attractive investment opportunities, it may not be able to manage the timing of the Funds' investments in the most advantageous manner, which could

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

*Market Disruption, Health Crises, Terrorism, and Geopolitical Risk.* A Fund is subject to the risk that war, terrorism, global health crises or similar pandemics, other related geopolitical events, extreme weather and climate-related events, and other events affecting the financial markets may lead to increased short-term market volatility and have adverse long-term effects on world economies and markets generally, as well as adverse effects on issuers of securities and the value of a Fund's investments. War, terrorism, and related geopolitical events, related international or specific targeted sanctions (which may include economic sanctions), as well as global health crises and similar pandemics, extreme weather and climate-related events, and other events affecting the financial markets have led, and in the future may lead, to increased short-term and longer-term market volatility and may have adverse long-term effects on world economies and markets generally. Those events as well as other changes in world economic, political, and health conditions also could adversely affect individual issuers or related groups of issuers, securities markets, interest rates, credit ratings, inflation, investor sentiment, and other factors affecting the value of a Fund's investments. Specific situations, particularly those impacting countries in which a Fund invests, from time to time present material uncertainty and there may be increased risk with respect to the Fund and the performance of its investments and/or operations. At such times, a Fund's exposure to a number of other risks described elsewhere in this section can increase.

*Leveraged Investments.* Funds may make use of leverage by incurring or having a portfolio company incur debt to finance a portion of an investment in a given portfolio company. Leverage generally magnifies both a 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 (which may be impacted by regulatory restrictions and guidelines), which is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage will also result in interest expense and other costs to a Fund that may not be covered by distributions made to such Fund or appreciation of its investments. Leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair the company's 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 such Fund's investments in leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet 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 a Fund. The companies in which a Fund invests generally are not rated by a credit rating agency. Furthermore, should the credit markets be limited or costly at the time a Fund determines that it is

desirable to sell all or part of a portfolio company, such Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts.

It is possible that a Fund may decide to repay any leverage with funds drawn from commitments or to make future investments with little or no corresponding leverage. If a Fund decides to pay down any outstanding borrowings or to make investments with little or no leverage, the returns to the investors may be adversely affected.

*Investments in Highly Levered Portfolio Companies.* The use of leverage by portfolio companies involves a higher degree of financial risk than companies that do not employ this strategy. A Fund's portfolio companies are expected to incur varying degrees of leverage, as a result of which recessions, pandemics, operating problems, and other general business and economic risks (as well as particular risks associated with investing in technology companies described above) may have a more pronounced effect on the profitability or survival of such companies. In addition, this leverage could accelerate and magnify declines in the value of the investments in the leveraged portfolio companies in a down market. Moreover, any rise in interest rates may significantly increase a portfolio company's interest expense, causing losses and/or the inability to service debt levels. Lenders or other holders of debt senior to the debt positions held by a Fund will be entitled to a preferred cash flow prior to the Fund receiving a return on its investments. In the event a portfolio company is unable to generate sufficient cash flow to meet the principal and interest payments on indebtedness senior to that of debt or equity held by a Fund or where there is a breach of a performance covenant, a Fund may suffer a partial or total loss of capital invested in the portfolio company. In certain situations, more than one investment purchased by a Fund with the use of leverage may be held with the same bank, custodian or dealer. FP closely monitors its portfolio companies in the event they experience some combination of declining revenues, cyclical end markets and/or an over-levered capital structure as is currently the case with a small number of non-FP portfolio companies. With respect to the portfolio companies of a Fund, multiple leveraged investments may be linked and used to "cross-collateralize" the borrowings. In the event that such investments are "cross-collateralized," a Fund could experience concurrent liquidation on multiple investments to satisfy its borrowing obligations, and an adverse event or condition at or with respect to one Portfolio company could negatively affect and/or cause a loss of a different investment that would not otherwise be subject to such adverse event or condition. To the extent the entities or parties entering into a joint or cross-collateralized borrowing arrangement are portfolio companies or entities holding investments (and not a Fund itself), such borrowings will not be subject to the limits on borrowings by the Fund that are set forth in the Fund Documents.

In the event that a Fund uses a borrowing facility that is collateralized by all of the Fund's investments, each of the Fund's investors would be exposed to risks associated therewith. Investors may also have an interest in certain portfolio companies that is disproportionate to their exposure to leverage through cross-collateralization on other portfolio companies. For example, if an investor is excused or excluded from an investment in a portfolio company, through cross-collateralization, they may nevertheless be indirectly exposed to risks associated with leverage on portfolio companies in which they are not invested.

*Availability of Entry Financing.* A Fund's ability to invest in portfolio companies may depend on the availability and terms of any borrowings that are required or desirable with respect to such



investments. A decrease in the availability of financing (or an increase in the interest cost) for leveraged transactions, whether due to adverse changes in economic or financial market conditions or a decreased appetite for risk by lenders, would impair a Fund's ability to consummate investments and would adversely affect the Fund's returns.

*Availability of Additional Financing.* After a Fund has financed a company, continued development and marketing of products may require that additional financing be provided from such Fund or a third party. No assurance can be made that such additional financing will be available, and no assurance can be made as to the terms upon which such financing may be obtained.

*Investments in Restructurings.* A Fund may invest in restructurings, or previous investments may become subject to restructurings, which in each case may involve portfolio companies that are experiencing or are expected to experience severe financial difficulties which may never be overcome and may result in a portfolio company becoming subject to bankruptcy proceedings. Portfolio companies experiencing financial distress may have the need for substantial additional capital to support continued operations or to improve their financial condition and may have very high amounts of leverage that require servicing. Such investments could, in certain circumstances, subject a Fund to certain additional potential liabilities, which may exceed the value of a Fund's original investment therein. For example, under certain circumstances, a lender who has inappropriately exercised control of the management and policies of a debtor may have its claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments to a Fund and distributions by a Fund to the investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment or a similar transaction under applicable bankruptcy and insolvency laws (including under applicable laws of the jurisdictions through which a Fund will invest). This risk is amplified where a Fund has governance rights, as board members may be subject to additional investigation by a creditor's committee or trustee, and subject to potential liability for actions the board took. Furthermore, investments in restructurings may be adversely affected by local statutes relating to, among other things, fraudulent conveyances, voidable preferences, lender liability, and the bankruptcy court's discretionary power to disallow, subordinate, or disenfranchise particular claims or recharacterize investments made in the form of debt as equity contributions. Securities of financially troubled issuers and operationally troubled issuers are less liquid and more volatile than securities of companies not experiencing financial difficulties, and distressed companies may not have access to more traditional methods of financing and may be unable to repay debt by refinancing. The market prices of such securities are subject to erratic and abrupt market movements and the spread between bid and asked prices may be greater than normally expected.

*Non-U.S. Investments.* A Fund expects to invest a portion of its aggregate capital commitments outside of the U.S. In addition, a Fund may invest in companies that are organized, headquartered or principally operated in the United States that have material subsidiaries or operations in, material sales to or other material exposure to foreign countries. Investments in and/or other material exposure to foreign countries involve certain risk factors not typically associated with investing in U.S. securities or instruments, including risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various

foreign currencies in which a Fund's foreign investments are denominated, and costs associated with conversion of investment principal and income from one currency into another; (ii) exposure to fluctuations in interest rates payable with respect to the instruments in which a Fund invests; (iii) differences between the U.S. and foreign investment markets, including potentially greater price fluctuations and market volatility and also relative lack of liquidity of some foreign markets; (iv) different accounting, auditing and financial reporting standards, practices and disclosure requirements compared to those applicable to U.S. companies; (v) varying levels of government supervision and regulation; (vi) higher rates of inflation; (vii) differences in the legal and regulatory environment or enhanced legal and regulatory compliance; (viii) controls on, and changes in controls on, non-U.S. investment and limitations on repatriation of invested capital and on a Fund's ability to exchange local currencies for U.S. dollars; (ix) certain economic, social, and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital, political hostility to investments by foreign or private equity investors, the risks of political, economic, or social instability, including the risk of sovereign defaults, and the possibility of expropriation or confiscatory taxation; (x) the possible imposition of foreign taxes on income and gains recognized with respect to such investments; (xi) less developed corporate laws regarding creditors' rights (including the rights of secured parties), fiduciary duties and the protection of investors; (xii) differences in conventions relating to documentation, settlement, corporate actions, stakeholder rights and other matters; and (xiii) less publicly available information. Additionally, the legal systems of some non-U.S. countries lack transparency or could limit the protections available to foreign investors, and a Fund's investments may be subject to nationalization and confiscation without fair compensation. For example, a Fund may not enjoy rights comparable to those of shareholders of companies organized in the United States, Europe, or other developed countries, and remedies available for any violation of those rights (and any additional shareholder rights that might be created in such company's constitution or by-laws or by contract) may not be as favorable as those available under the laws of other jurisdictions, and if a Fund obtains a judgment in a court outside such country, it may be difficult to enforce such judgment in the country where the company is located. Furthermore, political and social instability in the countries in which a Fund invests could adversely affect the Fund's investments in such countries. Such instability could result from, among other things, popular unrest associated with demands for improved political, economic, and social conditions and popular unrest in opposition to government policies that facilitate direct foreign investment. Governments of certain of these countries have exercised and continue to exercise substantial influence over many aspects of the private sector. In addition, in some countries there is greater acceptance than in the United States of government involvement in commercial activities, and corruption. The Funds generally do not intend to obtain political risk insurance. Accordingly, government actions in the future could have a significant effect on economic conditions in such countries, which could affect private sector companies and the return from investments. Exchange control regulations, expropriation, confiscatory taxation, nationalization, restrictions on repatriation of capital, renunciation of foreign debt, political, economic or social instability, or other economic or political developments could adversely affect the assets of a Fund held in a particular country.

Accounting, auditing, financial and other reporting standards, practices and disclosure requirements in certain of the countries in which a Fund may invest are not equivalent to those in the United States and certain Western European countries and may differ in fundamental ways.

Accordingly, information available to a Fund, including both general economic and commercial information and information concerning specific enterprises or assets, may be less reliable and less detailed than information available in more economically sophisticated countries and less information may be available to investors. Assets and profits appearing on the financial statements of a Chinese company, for example, may not reflect its financial position or results of operations in the way they would be reflected had such financial statements been prepared in accordance with U.S. generally accepted accounting principles. In addition, in certain instances, a Fund may not have access to all available information to determine fully the origination, credit appraisal and underwriting practices utilized with respect to the investments or the manner in which the investments have been operated. As a result, a Fund's due diligence activities may provide less information than due diligence reviews conducted in more developed countries. The lower standards of due diligence in certain countries will increase the risk related to the Investments in these countries. While a Fund will endeavor to conduct appropriate due diligence in connection with each investment, no guarantee can be given that they will obtain the information or assurances that an investor in a more sophisticated economy would obtain before proceeding with an investment.

*Nature of Loan Priority and Security.* A Fund's assets may include loans that are secured by a fixed or floating lien on some or substantially all of a borrower's assets. Although secured loans are generally senior in priority, there are many factors that may impact the security, placement and priority of secured loans in the overall capital structure of the borrower.

Unsecured creditors may, in certain cases, have priority over the claims of secured creditors. Additionally, a Fund's investments in secured loans may be unperfected for a variety of reasons, including the failure to make required filings or renew required filings prior to expiration thereof and, as a result, a Fund may not have priority over other creditors as anticipated. To the extent that a Fund's debt investments are only secured by specific assets, the Fund's claim will not have priority over the claims of unsecured creditors on the borrower's other assets. Furthermore, in the event of non-payment of interest or principal of a loan, or other default resulting in an exercise of lender rights, there is no guarantee that the collateral can be readily liquidated or that the liquidation of such collateral would satisfy all of the borrower's obligations under the loan documents.

Secured credit facilities are typically syndicated to a large number of leveraged loan market participants and a Fund may not always hold all or even a majority of any such credit facility. Actions and approvals under loan documentation typically only require a majority consent and actions or approvals requiring unanimous approval from the lenders are limited. Further, in a bankruptcy, voting to accept or reject the terms of a restructuring of a credit pursuant to a Chapter 11 plan of reorganization is done on a class basis. As a result of the voting systems in place both before and during a bankruptcy, a Fund may not have the ability to control decisions in respect of certain amendment, waiver, consent, asset sales, investments, sale-leasebacks, debt incurrence, prepayments, imposition of new liens and/or lien releases, designation of restricted or unrestricted subsidiaries, exercise of remedies, subordination of payment and/or lien priority, restructuring or reorganization of debts owed to a Fund.

Many secured credit loan documents contain accordion and other provisions allowing the borrower to increase borrowing capacity under such credit facilities and/or incur additional debt outside of such credit facilities, which could dilute the value of the collateral securing such borrowing and increase the risk that some or all of a Fund's loans would be undersecured. The loan documents may also allow the borrower to encumber certain assets within the collateral package, and/or to sell or otherwise transfer assets outside of the collateral package (and cause the release of liens thereon), which could result in a reduction of enterprise value of the borrower and/or increase the risk that a Fund's loans would be undersecured.

In certain cases, the borrower and a majority (or other requisite subset of lenders) may also agree to amend the loan documents to permit certain actions that may be adverse to the interests of a Fund, in each case, without the Fund's consent. These actions include, without limitation, any one or a combination of: (i) the sale or other transfer of material assets outside of the collateral package securing the Fund's loans, (ii) the release of liens on such material assets, (iii) the release of guarantors, and/or designation of previously restricted subsidiaries as unrestricted subsidiaries, (iv) an increase to debt incurrence capacity, (v) the incurrence of superpriority debt, or (vi) the subordination of payment and/or lien priority of any existing loans, including the Fund's loans. Furthermore, in the event of a filing by an issuer under Chapter 11 of the U.S. Bankruptcy Code, the borrower is authorized to obtain additional financing by granting creditors a superpriority lien on its assets, senior even to liens that were first in priority prior to the filing, as long as the borrower provides "adequate protection" (as determined by the presiding bankruptcy judge) that may consist of the grant of replacement or additional liens or the making of cash payments to the affected secured creditor (the actions described in this risk factor, together with other similar actions, collectively, the "**Specified Actions**"). The transfer of material assets outside of the collateral package, incurrence of additional indebtedness, subordination of payment and/or lien priority on a Fund's collateral, both before or in a bankruptcy, and certain other Specified Actions would adversely affect the priority of the liens and/or claims held by a Fund and could adversely affect a Fund's recovery on its debt investments. In other cases, a Fund and/or its affiliates, to the extent applicable, may lead and/or participate in the subset of lenders taking any Specified Actions, which may adversely affect the priority of liens and claims held by the non-participating lenders or claimholders, adversely affect the recovery of their investments, or otherwise have a material adverse effect on their interests or claims. Such risks are compounded where more than one Specified Action is taken, whether concurrently or throughout the life of the loan facility, and further heightened by the occurrence of a default under such facility. Applicable credit/loan margins may not adequately reflect such risks, and thus, may be insufficient to compensate the Fund for any losses in connection with Specified Actions.

Loan documents may vary on the permissibility, requirements, and/or treatment of one or more Specified Actions. There is no guarantee that all parties to any set of loan documents will interpret terms and provisions governing permissibility, requirements, and/or treatment of any Specified Actions in the same way. Therefore, in addition to the general risk of third-party litigation, a Fund may be subject to litigation in connection with its participation in Specified Actions and, conversely, may elect to participate in litigation challenging the validity of one or more Specified Actions. There is no guarantee that a court, arbiter or any other third party of competent jurisdiction will take a position favoring the interests of a Fund in upholding or invalidating, in whole or in part, one or more Specified Actions. Such proceedings may continue without

resolution for long periods of time and the outcome thereof may materially adversely affect the value of a Fund. Further, any such litigation may consume substantial amounts of the General Partner's time and attention, and that time and allocation of resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

*Investments in Operating Turnarounds and Carve-Outs.* In some cases, the success of a Fund's investment strategy will depend, in part, on FP's ability to restructure and effect improvements in the operations of a portfolio company and/or execute a complex divisional carve-out from a corporate seller. There can be no assurance that FP will be able to successfully identify and implement such restructuring programs and improvements or successfully execute such carve-outs.

*Early Stage Investments.* Certain Funds may make investments in early stage companies that have inherently greater risk than more established businesses. Accordingly, the growth of these companies may require significant time and effort resulting in a longer investment horizon than can be expected with lower risk investment alternatives. Such investments can experience failure or substantial declines in value at any stage. There is no assurance that such investments by a Fund will be successful.

*Non-Controlled Investments.* A Fund may hold meaningful minority stakes in publicly or privately held companies and in some cases may have limited minority protection rights. As is the case with minority holdings in general, such minority stakes will not have the control characteristics of majority stakes. Also, it is more difficult for a Fund to liquidate its minority interests than it would be had the Fund owned a controlling interest in such company. Even if a Fund has contractual rights to seek liquidity of the Fund's minority interests in such companies, it may be very difficult to sell such interests or seek a sale of such company upon terms acceptable to the Fund, especially in cases where the interests of the third party investors in such company have different business and investment objectives and goals.

*Publicly-Traded Securities.* A Fund may invest in securities issued by publicly held companies and may hold publicly-traded securities following a partial exit from an investment. Such investments subject a Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, sensitivity of such companies' securities to movements in the stock market, limitations on the ability of the Fund to dispose of such securities, increased likelihood of shareholder litigation and insider trading allegations against such companies' executives and board members, including FP employees, and increased costs associated with each of the aforementioned risks.

*Uncertainty of Financial Projections.* FP generally establishes the capital structures of companies in which a Fund invests on the basis of financial projections for such companies, which normally are based primarily on management judgments, with adjustments to such projections made by FP in its discretion. 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 that the projections are developed. General economic factors, which are not predictable, can have a material impact on the reliability of projections. Estimates or projections of market conditions, commodity prices,

and supply and demand dynamics are key factors in evaluating potential investment opportunities. These estimates are subject to wide variances based on changes in underlying commodity prices and technical assumptions and may involve a large degree of subjective judgment. There can be no assurance that assumption will be accurate or that the projected results will be obtained, and actual results may vary significantly from projections or assumptions. In addition, the actual condition of the portfolio companies or other elements of a portfolio company may be worse than anticipated, requiring adjustments such as additional capital or maintenance expenditures, which may not be recoverable, allocable to counterparties, or economic from a stand-alone perspective. Other participants in the industry may disagree with the feasibility of projections, and potential investors should make their own determinations about the prospects of a Fund. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections.

*Controlling Interests.* Because of its equity ownership, representation on the board of directors, and/or contractual rights, a Fund is often considered to control, participate in the management of, or influence the conduct of portfolio companies in which the Funds have invested. The exercise of control over a company imposes additional risks of liability for actions taken by the company. If these liabilities were to arise, a Fund may suffer a significant loss.

*Limitations on Ability to Exit Investments.* The Funds generally exit investments in two principal ways: (i) private sales (including mergers with or acquisitions of its portfolio companies); and (ii) initial and secondary public offerings. At any particular time, one or both of these avenues may not be available to the Funds, or timing with respect to these exit mechanisms may be inopportune. As such, the ability for a Fund to exit from and liquidate portfolio holdings may be constrained at any particular time.

*Restricted Securities.* A portion of a Fund's investments may consist of securities that are subject to restrictions on resale by such Fund because they were acquired in a "private placement" transaction or because such Fund is deemed to be an affiliate of the issuer of such securities. Generally, a Fund will be able to sell such securities only under Rule 144 under the Securities Act, which permits limited sales under specified conditions, or pursuant to a registration statement under the Securities Act. When restricted securities are sold to the public, the Funds may be deemed to be an "underwriter," or possibly a controlling person, with respect thereto for the purposes of the Securities Act and be subject to liability as such under the Securities Act. In addition, there can be no assurance that the Funds can sell restricted securities at the same trading price as the equivalent securities that are not restricted.

*Uncertainty Regarding Investments.* Although FP makes every effort to conduct appropriate due diligence prior to making an investment, the due diligence process is subjective and may be required to be undertaken on an expedited basis in order to take advantage of available investment opportunities. In addition, a Fund is relying on limited resources available to it in the due diligence process, including information provided by the target of the investment and third party consultants, legal advisers, accountants, and investment banks. As a result, the due diligence investigation may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity.

*Material Nonpublic Information.* As a result of the operations of FP and its affiliates, FP frequently comes into possession of confidential information and occasionally comes into possession of material nonpublic information. Therefore, FP and its affiliates may have access to material nonpublic information that may be relevant to an investment decision to be made by a Fund. Consequently, a Fund may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or FP's internal policies and practices. Due to these restrictions, a Fund may not be able to make an investment that it otherwise might have made or sell an investment that it otherwise might have sold.

FP may in the future consider the launch of any type of capital markets and/or additional credit advisory functions, including but not limited to additional businesses to advise on the issuance of debt or equity and/or to participate in loan origination, syndication and/or servicing. In the event that FP decides to engage in any such business, FP may determine that there are conflicts of interest, or may come into possession of information that limits its and its affiliates' ability to engage in potential transactions. Such conflicts include but are not limited to that any FP investment strategy or advisory business may come into possession of proprietary or confidential information the receipt of which could limit the ability of other strategies or businesses to engage in potential transactions. For example, strategies or businesses in receipt of proprietary or confidential information could be restricted from investing or trading as a result, including because of use restrictions under non-disclosure agreements, being in possession of material non-public information, or otherwise. A Fund's activities may be constrained as a result of these conflicts of interest and FP's personnel's inability to use such information.

*Valuation of Assets.* There is no actively traded market for some of the securities or financial instruments owned by the Funds. The fair market value of all investments or of property received in exchange for any investments will be determined by FP in accordance with the Fund Documents. Valuations are generally subject to multiple levels of review for approval and ensuring that portfolio investments are fairly valued is an important focus of FP. However, the process of valuing securities or financial instruments for which reliable market quotations are not available is based on inherent uncertainties. The fair market value of an investment may not reflect the price at which the investment could be sold in the market, and the difference between fair market value and the ultimate sales price could be material. The valuation of such investments will be determined by the General Partner in accordance with procedures set forth in the Fund Documents and FP's valuation policies.

With respect to the Funds, the exercise of discretion in valuation by FP, subject to any limitations thereon provided in the Fund Documents, may give rise to conflicts of interest, as valuations (including, for instance, determination of when an investment should be written down or written off) impact FP's track record and the performance-based compensation allocation in certain Funds is calculated based, in part, on these valuations and such valuations affect the amount and timing of performance-based compensation and calculation of management fees. In particular, the General Partner will face incentives to minimize permanent write-offs of a Funds' investments, in order to accelerate and increase the payment of carried interest and increase the amount of management fees payable. The criteria used by the General Partner in valuing an investment or determining whether an investment subject to a permanent write-off, 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 General Partner's determination that an investment should be permanently written-off, and the General Partner is not obligated to follow any third-party methodology in making its determination on whether an investment should be written-off or whether value can be recovered during the Fund's holding period. As a general matter, the standards for determining whether an investment should be permanently written-off are intended to be high, and not to apply to investments experiencing partial or temporary declines in value.

In the event that a Fund makes any distribution in kind to investors, the fair market value of such property is expected to be determined by the General Partner, subject to the terms and conditions of the Fund Documents. As there is no guarantee that such valuations will reflect the value for such assets that would be achieved if such assets were sold to a third party, investors in each Fund may not necessarily receive the price for such assets that they should otherwise have received if such assets were sold in a third-party sale. If the valuations made by the General Partner are higher than what could have been received if such investments were disposed of to third parties, held to maturity, or otherwise disposed of in another manner, the amount of carried interest received by FP, or the timing of receipt of carried interest, could be higher and earlier in time than it would have been in such circumstances.

*Operational and Cybersecurity Risks.* Operating companies are increasingly interrelated and depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks such as cyberattacks, breaches or failures including, among other things, the corruption of data maintained online, denial of services attacks on websites, and disruptions due to environmental or man-made disasters. While FP and the Funds' portfolio companies have practices that are designed to help prevent or reduce the impact of such potential threats, certain portfolio companies have been the subject of cyberattacks or other unauthorized access in the past and are likely to continue to face such threats. A portfolio company that experiences a cyberattack may be subject to substantial losses in the form of stolen, lost or corrupted: (i) client data or payment information; (ii) client or portfolio company financial information; (iii) portfolio company software, contact lists or other databases; (iv) portfolio company proprietary information or trade secrets; or (v) other items. In certain events, a portfolio company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Any such operational and cybersecurity incidents could subject a portfolio company, and therefore the relevant Fund, to substantial losses.

In addition, FP, the Funds' service providers, and other market participants depend on complex and often interconnected information technology and communications systems to conduct business functions. These systems are subject to a number of different threats and other risks that could adversely affect the Funds and their investors, despite the efforts of FP and the Funds' service providers to adopt technologies, processes, and procedures intended to mitigate these risks and protect the security of their computer systems, software, networks, and other technology assets, as well as the security, confidentiality, integrity, and availability of information held by the Fund and its investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of encrypt or otherwise prevent access to these systems of FP, the Funds'



service providers and counterparties, as well as the data stored by these systems, including investor information. FP and the Funds' service providers may be subject to ransomware or other attacks that could cause a substantial business disruption or loss of availability of data that could prevent the Funds and FP from executing its investment strategy or accessing an account, which could lead to financial losses. Third parties may also attempt to fraudulently induce personnel, clients, third party service providers or other users of FP's systems to disclose sensitive information in order to gain access to FP's data or that of the Funds' investors, to transfer funds to unauthorized third parties, and/or to make or request fraudulent payments. A successful penetration or circumvention of the security of FP's systems by unauthorized third parties could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Power or communications outages, extreme weather events, acts of god, information technology equipment malfunctions, operational errors, and inaccuracies within software or data processing systems may also disrupt business operations of a Fund, FP, portfolio company or their service providers or impact critical data. Such cybersecurity and operational incidents could cause the Funds, FP or their service providers to incur regulatory penalties, reputational damage, additional compliance costs, increased insurance premiums or financial loss. In addition, FP may incur substantial costs related to investigation and remediation of the cybersecurity incident, increasing and upgrading cybersecurity protections including its administrative, technical, organizational and physical controls, acts of identity theft, unauthorized use or loss of proprietary information, adverse investor reaction, increased insurance premiums or difficulties obtaining insurance coverage, or litigation, regulatory actions or other legal risks.

*Risks of Artificial Intelligence ("AI").* As the Funds primarily invest in portfolio companies in various technology sectors, the primary risk of AI to the Funds is related to FP identifying, or failing to identify, portfolio companies whose AI technology will ultimately prove successful or the potential disruption AI may have on the Funds' portfolio companies' products and/or services. As the development of AI is in its nascent stages and there is uncertainty regarding regulation of AI, investment in AI portfolio companies or the use of AI by the Funds' portfolio companies is subject to heightened risk of loss of investment, relative to other types of investments in technology companies. FP may use AI as a part of its investment process, including, but not limited to, using AI in connection with diligencing prospective portfolio companies. FP's ability to use, manage, and aggregate data generated by AI may be limited by the effectiveness of its policies, systems, and practices that govern how data is acquired, validated, used, stored, protected, processed, and shared. Failure to manage data effectively and to aggregate data in an accurate and timely manner may limit FP's ability to manage current and emerging risks, as well as to manage changing business needs and to adapt to the use of new tools, including AI. While FP will under certain circumstances restrict certain uses of third-party and open source AI tools, such as ChatGPT, FP's employees and consultants and a Fund's portfolio companies will under certain circumstances use these tools, which poses additional risks relating to the protection of FP and such portfolio companies' proprietary data, including the potential exposure of FP's or such portfolio companies' confidential information to unauthorized recipients and the misuse of FP's or third-party intellectual property, which could adversely affect FP, a Fund or its portfolio companies. Use of AI tools may result in allegations or claims against FP, a Fund or its portfolio companies related to violation of third-party intellectual property rights, unauthorized access to or use of proprietary information and failure to comply with open-source software requirements. Additionally, AI tools

may produce inaccurate, misleading or incomplete responses that could lead to errors in FP's and its employees' and consultants' decision-making, portfolio management or other business activities, which could have a negative impact on FP or on the performance of a Fund and its portfolio companies. Such AI tools could also be used against FP, a Fund or its portfolio companies in criminal or negligent ways. As the use and availability of AI tools has grown, the U.S. Congress and a number of U.S. federal and state agencies have been examining the AI tools and their use in a variety of industries, including financial services. These agencies have issued proposed or adopted a variety of rules and other guidance regarding the use of AI. AI similarly faces an uncertain regulatory landscape in many foreign jurisdictions. Ongoing and future regulatory actions with respect to AI generally or AI's use in any industry in particular may alter, perhaps to a materially adverse extent, the ability of FP, a Fund or its portfolio companies to utilize AI in the manner it has to-date, and may have an adverse impact on the ability of FP, a Fund or its portfolio companies to continue to operate as intended.

*Privacy Law Compliance Risk.* Compliance with current and future privacy data protection and information security laws and regulations ("**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 FP, the Funds, and their portfolio companies, and as such could increase costs and require the dedication of additional time and resources to compliance for such entities. A failure to comply with such Privacy Laws could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations and overall business, as well as have a negative impact on reputation and Fund performance. As Privacy Laws are implemented, interpreted, and applied, compliance costs for the Funds and/or their portfolio companies are likely to increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

For example, the Cayman Islands Data Protection Act ("**DPA**") includes legal requirements for the Funds that are domiciled in the Cayman Islands based on internationally accepted principles of data privacy. Prospective investors should note that, by virtue of making investments in the Funds and the associated interactions with the Funds and their affiliates and/or delegates (including completing a subscription agreement), or by virtue of providing the Funds with personal information on individuals connected with the investor (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents), such individuals will be providing the Funds and their affiliates or delegates with certain personal information which constitutes personal data within the meaning of the DPA. The Funds shall act as a data controller in respect of this personal data and its affiliates or delegates, such as a third party administrator, FP, and others, may act as data processors (or data controllers in their own right in some circumstances). Oversight of the DPA is the responsibility of the Ombudsman's office of the Cayman Islands. Breach of the DPA by the Fund could lead to enforcement action by the Ombudsman, including investigation, the imposition of remediation orders, monetary penalties or referral for criminal prosecution.

In addition, the California Consumer Privacy Act, as amended by the California Privacy Rights Act (together, the "**CCPA**") generally applies to businesses that collect personal information about California consumers, and either meet certain thresholds with respect to revenue or buying and/or selling consumers' personal information. Although investor information of the Funds that is

subject to the Gramm Leach Bliley Act (the “**GLBA**”) falls outside the scope of the CCPA, information we collect regarding our employees’ website users and others and information processed by our portfolio companies may be subject to the CCPA. The CCPA imposes stringent legal and operational obligations on such businesses as well as certain affiliated entities that share common branding. The CCPA is enforceable by the California Attorney General. Additionally, if unauthorized access, theft or disclosure of a consumer’s personal information occurs, and the business did not maintain reasonable security practices, consumers could file a civil action (including a class action) without having to prove actual damages. Statutory damages range from \$100 to \$750 per consumer per incident, or actual damages, whichever is greater. The Attorney General also may impose civil penalties ranging from \$2,500 to \$7,500 per violation.

The EU’s General Data Protection Regulation (EU 2016/679) (the “**GDPR**”) has broadly harmonized national data protection laws across the EU, while at the same time, modernizing the law to address new technological developments. The GDPR notably has a greater extra-territorial reach than pre-existing legislation and has a significant impact on data controllers and data processors, (i) with an establishment in the EU, (ii) which offer goods or services to EU data subjects, or (iii) which monitor EU data subjects’ behavior within the EU. The GDPR principles on the processing of personal data have been also implemented into laws enforceable in the UK by the UK Data Protection Act 2018 and the “UK GDPR” as defined by the Data Protection Act 2018, as amended by the Data Protection, Privacy and Electronic Communications (Amendments etc.) (EU Exit) Regulations 2019 (SI 2019/419) (“**UK GDPR**”).

Data protection laws, including the DPA, CCPA, EU & UK GDPR and other similar current and emerging laws often require more stringent operational requirements and onerous accountability obligations for controllers and processors of personal data, including, for example, requiring formal records of processing, expanded disclosures inter alia about how, why and by whom personal data is to be used, limitations on retention of personal data, limitations on the international transfer of personal data, implementation of appropriate technical and organizational security measures to protect personal data, mandatory data breach notification requirements to both impacted individuals and regulators with strict timeline requirements, and higher standards for data controllers to demonstrate that they have obtained valid consent or have another relevant legal basis in place to justify their data processing activities. These laws also include data subject rights, such as the rights to access personal data about them, the right to have such data deleted, and the right to opt-out of or limit certain uses of such data. These rights are not absolute; however, they will require that FP have in place the necessary mechanisms to allow individuals to exercise them.

Other jurisdictions, including other U.S. states, have enacted 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 may vary from jurisdiction to jurisdiction, thus increasing costs and operational and legal burdens on regulated entities. Further, compliance with current and future 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 some of our current and planned business activities. Any such Privacy Law could materially and adversely affect results of operations and overall business, as well as have a negative impact on Fund performance.

Data protection legislation also gives strong enforcement powers to local supervisory authorities, including the power to impose significant fines for non-compliance. In particular, EU and UK supervisory authorities can each issue fines for non-compliance with the EU GDPR and UK GDPR respectively of up to the higher of four percent (4%) of an organization's total annual worldwide turnover or EUR €20/GBP £17.5 million, depending on the type and severity of the non-compliance. Data subjects also have a right to compensation for financial or non-financial losses (e.g., distress).

Furthermore, portfolio companies in which the Funds invest are generally subject to laws and regulations related to privacy, data protection, and information security in the jurisdictions in which they do business. As privacy, data protection, and information security laws and regulations continue to be implemented, interpreted, and applied, compliance costs may increase, particularly in the context of ensuring that adequate data protections and data transfer mechanisms are in place.

*Tax Reform Risks.* Tax law is subject to change and various historic and current legislative proposals could affect the Funds and the investors. Under current law, capital gains in respect of a general partner's right to Carried Interest will be subject to a three-year "holding period" in order to be classified as "long term capital gains," while the corresponding holding period requirement with respect to capital gains that Fund investors are allocated is one year. This Carried Interest holding period requirement could affect investment decisions, including the timing and structure of dispositions and other realization events, and it could adversely impact returns for investors. For example, the holding period requirement may incentivize the general partner to cause a Fund to hold an investment for longer than three years in order for the general partner to obtain a preferential tax rate on Carried Interest, even if there are attractive realization opportunities prior to that time. Further, there are currently administrative and legislative proposals to further change the tax treatment of "carried interest" in ways that may be adverse to partners in the general partner. A general partner and FP may take these potential adverse consequences into account in their management and operation of the Funds and in addressing these adverse consequences, the interests of the general partner and FP, on the one hand, may diverge from the interests of the investors, on the other hand.

*Environmental, Social, and Governance Matters.* FP maintains an ESG Policy which it and the General Partner intend to apply as applicable to a Fund's investment portfolio, consistent with and subject to their fiduciary or other duties and applicable legal, regulatory or contractual requirements. Depending on the investment, certain ESG factors could have a material effect on the return and risk profile of the investment. However, the act of selecting and evaluating material ESG factors is subjective by nature. FP or the General Partner may be subject to competing demands from different investors and other stakeholder groups with divergent views on ESG matters, including the role of ESG factors in the investment process, and there is no guarantee that the criteria utilized or judgment exercised by FP, the General Partner or any third-party ESG advisor will reflect the beliefs or values of any particular investor or other asset managers or reflect market trends. Considering ESG factors when evaluating an investment may cause a Fund not to make an investment that it would have made in the absence of such consideration. Additionally, ESG factors are only some of the many factors the FP or General Partner may consider in making an investment, and there is no guarantee that the FP or the General Partner will make investments in companies that create positive ESG impact or that consideration of ESG factors will enhance

long-term investor value and financial returns. Although FP views the consideration of ESG to be an opportunity to potentially enhance or protect the performance of its investments over the long-term, neither FP nor the General Partner can guarantee that its ESG program, which depends in part on qualitative judgments, will positively impact the performance of any individual investment or the Fund as a whole. Similarly, to the extent FP or the General Partner or a third-party ESG advisor engages with portfolio investments on ESG-related practices and potential enhancements thereto, there is no guarantee that such engagements will improve the performance of the investment. Successful ESG integration on the part of FP, General Partner or a third-party ESG advisor will depend on FP's, General Partner's or any relevant third-party advisor's ability to engage with the relevant investment and skill in properly identifying and analyzing material ESG factors and their value, and there can be no assurance that the strategy or techniques employed will be successful.

The materiality of ESG factors on an individual asset or issuer and on a portfolio as a whole depends on many factors, including the relevant industry, location, asset class and investment strategy. ESG factors, issues, and considerations do not apply in every instance or with respect to each investment held, or proposed to be made, by a Fund, and will vary greatly based on numerous criteria, including, but not limited to, location, industry, investment strategy, and issuer-specific and investment-specific characteristics. Neither FP nor the General Partner intend to independently verify certain of the ESG information reported by investments of a Fund, and may decide in its discretion not to utilize, report on, or consider certain information provided by such investments. Any ESG reporting will be provided in the General Partner's / FP's sole discretion.

In addition, FP's ESG programs, ESG Policy and associated policies, procedures and practices may change over time. FP in certain circumstances is permitted to determine in its discretion that it is not feasible or practical to implement or complete certain of its ESG initiatives based on cost, timing or other considerations. It is also possible that market dynamics or other factors will make it impractical, inadvisable or impossible for FP or the General Partner to adhere to all elements of a Fund's investment strategy, including with respect to ESG risk and opportunity management, whether with respect to one or more individual investments or to a Fund's portfolio generally. Similarly, in evaluating a prospective investment, FP often depends upon information and data provided by the entity or obtained via third-party reporting or advisors, which may be incomplete or inaccurate and could cause FP or General Partner to incorrectly identify, prioritize, assess or analyze the entity's ESG practices and/or related risks and opportunities. ESG-related statements, initiatives and goals as described in this Brochure with respect to a Fund's investment strategy, portfolio, and investments are aspirational and not guarantees or promises that all or any such initiatives and goals will be achieved other than as set out in any applicable regulatory disclosures, including those made pursuant to Regulation (EU) 2019/2088 (the "SFDR").

Further, ESG integration and responsible investing practices as a whole are evolving rapidly and there are different principles, frameworks, methodologies and tracking tools being implemented by asset managers, and FP's adoption of and adherence to such principles, frameworks, methodologies and tools may vary over time. For example, FP's ESG Policy does not represent a universally recognized standard for assessing ESG considerations. Any ESG-related initiatives to which FP is or becomes a signatory, member, or supporter may not align with the approach used by other asset managers (or preferred by prospective investors) or with future market trends. There

is no guarantee that FP will remain a signatory, supporter or member of such initiatives or other similar industry frameworks.

*ESG-related legal developments.* Regulatory interest continues to grow across jurisdictions, particularly in the U.S., UK, and EU (which may be looked to as models in growth markets), in improving transparency around how asset managers identify and manage financially material ESG risks as well as how they define and measure ESG performance, in order to allow investors to validate and better understand sustainability claims. For example, on May 25, 2022, the U.S. Securities and Exchange Commission (the “SEC”) proposed amendments to rules and reporting forms concerning ESG factors, which rules are not in final form and therefore cannot be determined as to how they may affect a Fund. In addition, on August 23, 2023, the SEC adopted its final rule enhancing the regulation of private fund advisers, which includes requirements with respect to the disclosure of certain information to investors that could affect the way certain ESG-related information is shared. There may also be an increase in related enforcement through efforts such as those of the SEC’s Climate and ESG Enforcement Task Force, established in March 2021. The European Securities and Markets Authority (“ESMA”) has also published its Union Strategic Supervisory Priorities in its 2023-2028 Strategy, which identifies ensuring integrity of ESG disclosures as a key supervisory priority to prevent greenwashing, and it is expected to publish a final report on greenwashing in Spring 2024 outlining supervisory powers, resources, and actions to address greenwashing risks. On December 15, 2023, ESMA also commenced a consultation on guidelines for supervision of corporate sustainability information pursuant to the Corporate Sustainability Reporting Directive (“CSRD”). At the same time, anti-ESG sentiment has also gained momentum across the U.S., with several states and Congress having proposed or enacted “anti-ESG” policies, legislation or initiatives or issued related legal opinions. Additionally, asset managers have continued to be subjected to scrutiny related to ESG-focused industry working groups, initiatives, and associations, including organizations advancing action to address climate change or climate-related risk. Further, some conservative groups and Republican state attorneys general have asserted that the Supreme Court’s decision striking down race-based affirmative action in higher education in June 2023 should be analogized to private employment matters and private contract matters. Several new cases alleging discrimination based on similar arguments have been filed since the decision, which has escalated scrutiny of certain practices and initiatives related to diversity, equity, and inclusion (“DEI”). Such anti-ESG and anti-DEI-related policies, legislation, initiatives, litigation, legal opinions and scrutiny could expose FP to the risk of antitrust investigations or challenges and enforcement by state or federal authorities, result in penalties and reputational harm and require certain investors to divest or discourage certain investors from investing in FP’s funds. FP’s ESG program, DEI initiatives, and FP burdens and costs could become subject to additional regulation, regulatory scrutiny, penalties, or enforcement in the future, and FP cannot guarantee that its current approach (including the ESG Policy) or the Fund’s investments will meet future regulatory requirements, reporting frameworks or best practices, increasing the risk of related enforcement.

*Compliance with European sustainability-related regimes.* The EU has established frameworks for disclosure and reporting on sustainability-related matters, including Regulation (EU) 2020/852 (the “**Taxonomy Regulation**”), which contains a classification system that establishes a list of environmentally sustainable economic activities and sets out four overarching conditions that an economic activity has to meet in order to qualify as environmentally

sustainable. The Taxonomy Regulation, amongst other things, introduces mandatory disclosure and reporting requirements and supplements the framework set out in SFDR, which requires disclosures in relation to whether and, if so, how sustainability risks and adverse impacts on sustainability factors are taken into account in the investment process. Under the SFDR, financial products that have a sustainable investment objective or which promote environmental and/or social characteristics are required to provide detailed information to investors on how they plan to achieve their sustainability commitments in pre-contractual disclosures, and report periodically on their performance in achieving those commitments, among other things. The disclosure requirements in the SFDR are supplemented by Commission Delegated Regulation (EU) 2022/1288 (the “RTS”).

While in force, each of the Taxonomy Regulation, the SFDR, and the RTS remains subject to change, as a series of initiatives are ongoing for review and potential revision to each of these frameworks. In particular, on September 14, 2023 the European Commission published two consultations on the SFDR framework. The consultations include questions on potential changes to disclosures requirements, a revised categorization system, and other general questions on the functioning of the SFDR. In addition, on December 4, 2023, a report was published by the European Supervisory Authorities on proposed revisions to the RTS, including proposed changes to the disclosure framework for principal adverse impacts of investment decisions on sustainability factors and amendments to the existing disclosure templates for funds that promote environmental and/or social characteristics or have sustainable investment or a reduction in carbon emissions as their objective. The proposed revisions to the RTS will not enter into force unless and until the proposals are adopted by the European Commission and pass through a non-objection process from the European Parliament and the Council of the European Union.

In addition to the above EU regulations, the Sustainability Labelling and Disclosure of Sustainability-Related Financial Information Instrument 2023 introduces sustainability disclosure requirements, investment product labels, and an ‘anti-greenwashing’ rule. The anti-greenwashing rule applies to all UK-authorized firms in their communications with clients in the UK, including Francisco Partners Operations LLP. The balance of the regime, in relation to disclosure and labelling, is directed at UK investment funds and UK-regulated asset managers that manage or distribute UK AIFs. The Financial Conduct Authority has indicated it will consult in early 2024 on alternative approaches to applying the regime to portfolio managers and continues to work with His Majesty’s Treasury to consider its approach in respect of overseas funds. If these elements of the regime become applicable to our funds or products, then additional regulatory costs may be incurred; they may also have an impact on our ability to deliver on FP’s funds’ investment strategies and financial returns could be adversely impacted as a result.

Compliance with frameworks of this nature may create an additional compliance burden and increased costs to funds, fund managers and/or portfolio companies because of the need to collect information to meet the disclosure requirements and/or because of investors’ own commitments and disclosure obligations. Further, FP’s view on the sustainability-related approach of a Fund may develop over time, including in response to law, regulation, official guidance, or changes in industry approach to classification. A change to the relevant

sustainability-related approach may require further actions to be taken. For example, it may require additional disclosures or amendment(s) to existing disclosures by FP or a Fund, or it may require new processes to be set up to capture data about a Fund or its investments, which may lead to additional cost. In addition, where the operation of a framework is uncertain, a lack of official, or conflicting or inconsistent, regulatory guidance, a lack of established market practice, and/or data gaps or methodological challenges affecting the ability to collect relevant data may require funds and/or fund managers to engage third party advisors and/or service providers to support them in fulfilling the requirements, thereby increasing the compliance burden and costs. Compliance with these requirements may also increase risks relating to financial supervision and enforcement action. In relation to EU regulation, there could also be divergent interpretations of the requirements between national competent authorities. FP will therefore have to continue to monitor any future developments to the above regulations and related initiatives, and resources will need to be allocated to determine how a Fund may be impacted, creating an additional compliance burden and reporting costs.

*Weather and Climate Risk.* Global climate change is widely considered to be a significant threat to the global economy. Additionally, the Paris Agreement and other regulatory and voluntary initiatives launched by international, federal, state, and regional policymakers and regulatory authorities, as well as private actors, which seek to reduce greenhouse gas emissions may expose businesses to so-called “transition risks” in addition to physical risks (changes in weather and climate patterns), including: (i) political and policy risks; (ii) regulatory and litigation risks; (iii) technology and market risks and (iv) reputational risks. The General Partner cannot rule out the possibility that climate change-related risks could result in unanticipated expenses or other consequences, which could have a material adverse effect on an investment, or the Fund.

*Availability of Insurance Against Certain Catastrophic Losses.* Certain losses of a catastrophic nature, such as those caused by wars, earthquakes, severe weather, terrorist attacks, pandemics or other similar events, may be either uninsurable or insurable at such high rates that to maintain such coverage would cause an adverse impact on the related investments. In general, losses related to terrorism, or other events of a catastrophic nature, can be difficult and expensive to insure against. Some insurers are excluding terrorism coverage, or other events of a catastrophic nature, from their all-risks policies. In some cases, the insurers are offering significantly limited coverage against terrorist acts, or other acts of a catastrophic nature, for additional premiums, which can greatly increase the total costs of casualty insurance. As a result, not all investments may be insured against all potential causes of damage or loss. If a major uninsured loss occurs, the Funds could lose both invested capital in and anticipated profits from the affected investments.

*United Kingdom Exit from the European Union.* The UK left the European Union (the “EU”) on January 31, 2020 (commonly referred to as “**Brexit**”). After this, the UK entered into a transition period during which the majority of the existing EU rules continued to apply in the UK. Following the end of the transition period on December 31, 2020, EU rules ceased to apply in the UK.

During an 11-month transition period, the United Kingdom and the European Union agreed to a Trade and Cooperation Agreement which sets out the agreement for certain parts of the future relationship between the European Union and the United Kingdom from 1 January 2021. The



Trade and Cooperation Agreement does not provide the United Kingdom with the same level of rights or access to all goods and services in the European Union as the United Kingdom previously maintained as a member of the European Union and during the transition period. In particular the Trade and Cooperation Agreement does not include an agreement on financial services which is yet to be agreed. In the absence of formal agreement on this issue, UK firms in the financial sector have more limited access to the EU market than prior to Brexit and EU firms similarly have more limited access to the UK, owing to the loss of passporting rights under applicable EU and UK legislation. Alternative arrangements and structures may allow for the provision of cross-border marketing and services between the EU and UK, but these are subject to legal uncertainty and the risk that further legislative and regulatory restrictions could be imposed in the future. Accordingly, uncertainty remains in certain areas as to the future relationship between the United Kingdom and the European Union.

As a result of the onshoring of EU legislation in the UK, UK firms are currently subject to substantially many of the same rules and regulations as prior to Brexit. However, the UK Government has stated its intention to recast onshored EU legislation as part of UK legislation and regulation, which could result in substantive changes to regulatory requirements in the UK. It remains to be seen to what extent the UK may elect to implement or mirror future changes in the EU regulatory regime, or to diverge from the current EU-influenced regime over time. It is possible that the EU may respond to UK initiatives by restricting third country access to EU markets. If the regulatory regimes for EU and UK financial services change or diverge further, this could have an adverse impact on the Funds and their investments, including the each Fund to achieve its investment objectives in whole or in part (for example, owing to increased costs and complexity and/or new restrictions in relation to cross-border access between the EU and non-EU jurisdictions).

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

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

Areas where the uncertainty created by the United Kingdom's withdrawal from the European Union is relevant include, but are not limited to, trade within Europe, foreign direct investment in Europe, the scope and functioning of European regulatory frameworks (including with respect to the regulation of alternative investment fund managers and the distribution and marketing of alternative investment funds), industrial policy pursued within European countries, immigration

policy pursued within European Union countries, the regulation of the provision of financial services within and to persons in Europe and trade policy within European countries and internationally. The volatility and uncertainty caused by the withdrawal may adversely affect the Funds, the performance of their investments and their ability to achieve its investment objectives (especially if their investments include, or expose it to, businesses that have historically relied on access to the single market or have historically sourced goods, materials or labour from the single market).

The legal, political and economic uncertainty and disruption generally resulting Brexit may adversely affect both EU and UK-based businesses. Brexit has already led to disruption in trade as businesses attempt to adapt cross-border procedures and rules applicable in the UK and in the EU to their activities, products, customers, and suppliers. Continuing uncertainty and the prospect of further disruption may result in an economic slowdown and/or a deteriorating business environment in the UK and in one or more EU Member States.

*Benchmark Rate Risk.* Prior to June 30, 2023, certain bonds and loans held by the Funds may have had floating interest rates based on the London Inter Bank Offered Rate (“LIBOR”). LIBOR is an estimate of the interest rates to borrow U.S. dollars, sterling, euros and certain other currencies in the London unsecured interbank market, and was widely used as a reference for setting the interest rate on loans, bonds and derivatives globally. Consistent with prior announcements by the United Kingdom’s Financial Conduct Authority (“FCA”), the representative settings for all Swiss franc, euro, British pound sterling, Japanese yen, and U.S. dollar LIBORs are no longer available as of June 30, 2023, while synthetic 3-month British pound sterling LIBOR and 1-, 3- and 6-month U.S. dollar LIBOR settings are expected to cease at the end of March 2024 and September 2024, respectively.

On March 15, 2022, the United States enacted the Adjustable Interest Rate (LIBOR) Act of 2021 (“LIBOR Act”). The federal LIBOR Act preempts similar state legislation (including that enacted in New York) and provides one national approach for replacing U.S. dollar LIBOR as a reference interest rate in certain contracts, including those with no fallback provisions or with fallback provisions that identify neither a specific replacement rate nor a “determining person” as defined in the legislation, once U.S. dollar LIBOR is no longer published or is no longer representative. The U.S. Federal Reserve (the “Federal Reserve”) has adopted the final rule that implements the LIBOR Act, which established certain Secured Overnight Financing Rate (“SOFR”)-based benchmark replacements for contracts governed by U.S. law that reference overnight and one-, three-, six- and 12-month tenors of U.S. dollar LIBOR that do not have suitable fallback provisions after June 30, 2023.

As a result of the transition away from LIBOR as a benchmark reference for interest rates, certain bonds and loans held by the Funds may have floating interest rates based on SOFR or, if otherwise provided in the underlying contracts, other alternative benchmark rates.

*SOFR Risk.* SOFR is a relatively new index rate calculated based on short-term repurchase agreements backed by U.S. Treasury Instruments. While LIBOR is an unsecured rate, SOFR is a secured rate. SOFR, unlike LIBOR, reflects actual market transactions. Accordingly, SOFR is not the economic equivalent of LIBOR. Consequently, there can be no assurance that SOFR will

perform in the same way as LIBOR would have at any time, including, without limitation, as a result of changes in interest and yield rates in the market, monetary policy, bank credit risk, market volatility or global or regional economic, financial, political, regulatory, judicial or other events.

Additionally, because SOFR is published by the Federal Reserve Bank of New York (the “New York Fed”) based on data received from other sources, we have no control over its determination, calculation, or publication. There can be no assurance that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of the Funds. If the manner in which SOFR is calculated is changed, that change may result in a reduction of the amount of interest payable on SOFR-linked floating rate instruments and the trading prices of such instruments. Additionally, daily changes in SOFR have, on occasion, been more volatile than daily changes in other benchmark or market rates. Although occasional, increased daily volatility in SOFR would not necessarily lead to more volatile interest payments, the return on and value of SOFR-linked floating rate instruments may fluctuate more than floating rate instruments that are linked to less volatile rates. All of the foregoing risks may affect the performance of the applicable bonds and loans in which the Funds invest, which in turn may adversely affect the performance of the Funds.

*Alternative Benchmark Rate Risk.* As stated above, some of the bonds and loans held by the Funds may have floating interest rates based on alternative benchmark rates other than SOFR. Such alternative benchmark rates, like SOFR, may not have been widely used by market participants until relatively recently, and they may not perform exactly the same as LIBOR because they are calculated and administered differently. Generally, the use of alternative benchmark rates (including SOFR) may (i) cause the value of the interest rate on such bonds and loans to be uncertain or to be lower or more volatile than it would otherwise be, (ii) result in uncertainty as to the functioning, liquidity or value of such bonds and loans, and/or (iii) involve actions of regulators or rate administrators that may adversely affect certain markets or contracts underlying such bonds and loans. All of the foregoing could adversely affect the return on and value of the related floating rate instruments in which the Funds invest.

*Credit Servicers Directive.* The EU Directive on credit servicers and credit purchasers (“Credit Servicers Directive”, also referred to as the “**Non-Performing Loans Directive**”) must be adopted and implemented by EU Member States from December 30, 2023. The Credit Servicers Directive imposes obligations in relation to the sale, purchase, and/or servicing of non-performing credit agreements, such as loans, issued by EU credit institutions. To the extent that a Fund purchases a non-performing credit agreement within the scope of the Credit Servicers Directive, the Fund and FP will be subject to regulatory reporting, disclosure, and notification requirements and, where applicable, will be required to appoint a representative in the EU to perform these obligations. The Credit Servicers Directive may also require a Fund and FP to appoint a licensed firm to service the credit agreement(s). The requirements imposed by the Credit Services Directive may result in a Fund incurring additional costs and expenses and/or committing additional resources.

*Credit Funds.* Credit funds have continued to be the subject of increasing regulatory focus at international and regional level. To the extent that a Fund is engaged in lending activity, it may be subject to restrictions on its activities and be obliged to comply with regulatory reporting and disclosure requirements in accordance with Alternative Investment Fund Managers

Directive (“AIFMD”) II and/or other future regulatory initiatives. This may impact the activities and/or returns of a Fund, lead to additional costs and expenses, and/or require the commitment of additional resources.

The International Organization of Securities Commissions (IOSCO) and the Financial Stability Board (FSB) have called on regulators to consider issues arising from the rapid growth in private finance, including in relation to systemic risk, transparency, leverage, liquidity, and conflicts of interest. It is likely that regulators will continue to focus on the credit funds sector and may introduce further regulatory requirements in the future.

From 2026, AIFMD II will introduce rules in respect of loan-originating funds, including in relation to (a) leverage limits, (b) liquidity requirements for open-ended loan-originating funds, (c) a limit on exposure to a single financial institution, (d) a prohibition on lending to certain entities and/or individuals that may give rise to conflicts of interest, (e) a ban on ‘originate-to-distribute’ strategies, (f) a risk retention requirement, (g) mandatory disclosures and reporting, and (h) policies and procedures for loan origination.

*Other Regulatory Restrictions.* Anti-money laundering, anti-boycott and economic and trade sanction laws and regulations in the United States and other jurisdictions may prevent the General Partner or a Fund 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 United States 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 the acquisition of a portfolio company by one fund managed by FP may preclude a Fund from making an attractive acquisition or require a Fund to sell all or a portion of certain portfolio companies owned by them. A Fund will require each investor to make representations and warranties with respect to compliance with anti-money laundering and sanctions regulations, including those promulgated by OFAC. Where an investor or a related person is or becomes the target of sanctions or otherwise violates or would cause a Fund to violate applicable law, the Fund may be required immediately and without notice to such investor to cease any further dealings with the investor and/or the investor’s interest in the Fund and/or freeze such investor’s assets in the Fund’s possession until the investor ceases to be subject to such sanctions or violations (a “**Sanctioned Persons Event**”). The Fund and the General Partner have no liability whatsoever for any liabilities, costs, expenses, damages and/or losses (including but not limited to any direct, indirect or consequential losses, loss of profit, loss of revenue, loss of reputation and all interest, penalties and legal costs and all other professional costs and expenses) incurred by any investor as a result of a Sanctioned Persons Event.

In recent years, the SEC has proposed and adopted, and continues to adopt, various changes to the rules relating to private funds and their advisers. On August 23, 2023, the SEC adopted previously

proposed new rules and amendments to existing rules (collectively, the “**Private Funds Rules**”) under the Advisers Act specifically related to advisers of private funds. The Private Funds Rules will impose new and substantial requirements on advisers and the private funds they advise, including with respect to quarterly reporting, restricted activities, preferential treatment of investors, audit requirements, adviser-led secondaries, and annual compliance reviews. The Private Funds Rules, in addition to any other new rules adopted by the SEC, are expected to significantly impact the business of FP and its affiliates, Funds, and/or its investments.

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

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

*Israel-Hamas War.* On October 7, 2023, the Hamas militant group breached the fences separating Israel and Gaza and carried out a violent terrorist attack. The foregoing attack sparked an armed conflict, which is currently ongoing, between Hamas and other Palestinian militant groups and Israel, known as the 2023 Israel-Hamas war. Although since the establishment of the State of Israel a state of hostility has existed in varying degrees of intensity between various Arab countries and Israel, the current conflict between Israel and Hamas has escalated to a heightened level not seen in recent years and may escalate further. Additionally, while Israel has entered into peace agreements with both Egypt and Jordan, and several other Middle Eastern and North African countries have normalized relations with Israel, the 2023 Israel-Hamas war has created tremendous unrest and uncertainty in the region, which may threaten any such peace agreements. A further expansion of the hostilities between Israel and Palestine could have significant international ramifications. The 2023 Israel-Hamas war could potentially have a significant adverse impact and result in significant losses to the Funds, including those described above in “*Russia- Ukraine Conflict*”. The ultimate impact of the Israel-Hamas war and its effect on global economic and commercial activity and conditions, and on the operations, financial condition and performance of the Funds or any particular industry, business or investee country, and the duration and severity of those effects is impossible to predict.

*General Tax Considerations.* An investment in the Funds involve complex U.S. and non-U.S. tax considerations that will differ for each investor depending on the investor's particular circumstances. The investment decisions of FP and the Funds will be based primarily upon economic, not tax, considerations and could result, from time to time, in adverse tax consequences to some or all investors. There can be no assurance that the structure of the Funds or of any investment will be tax efficient for any particular investor. Prospective investors are urged to consult their own tax advisors with reference to their specific tax situations.

*Tax Considerations Differ for Each Investor.* It is expected that investors in a Fund may be resident, for tax purposes, in many different jurisdictions. No attempt is made herein to summarize the tax consequences for each prospective investor of acquiring, holding or disposing of an interest in a Fund depending on such investor's particular tax characteristics. The tax position of investors in a Fund may differ according to the investor's particular financial and tax situation and accordingly the structure of a Fund and its investments may not be tax efficient for any particular prospective investor. No undertaking is given that amounts distributed or allocated to investors will have any particular tax characteristics or that any specific tax treatment will be enjoyed. Further, no assurance is given that any particular investment structure in which a Fund has a direct or indirect interest will be suitable for all investors and, in certain circumstances, such structures may lead to additional costs or reporting obligations for some or all of the investors. Each prospective investor should consider its own tax position in relation to acquiring, holding and potentially disposing of an interest in a Fund, consulting its tax advisor as appropriate.

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

*Future Investment Techniques and Instruments.* Subject to the terms of the Fund Documents and applicable law, whether or not specifically described herein, the Funds may employ a variety of investment techniques and invest in instruments that FP believes will help achieve the Funds' investment objectives. Such investments may entail risks not described herein. New investment strategies and techniques may not be thoroughly tested in the market before being employed and may not perform as anticipated for reasons within or outside of FP's control. In the event such an

investment is unsuccessful, this could result in losses to the Funds. In addition, any new investment strategy or technique developed by the Funds may be more speculative than previous investment strategies and techniques that have already been used and may involve material and as-yet-unanticipated risks that could increase the risk of an investment in the Funds.

*Outside Statements.* FP and its affiliates and employees may have made, and may in the future make, oral and written statements or expressions of intent or expectation to investors in the Funds or their affiliates or acknowledge statements by such persons (“**Outside Statements**”) regarding the Funds or FP’s activities pertaining thereto. These may include, for example, the anticipated or expected allocation and terms of co-investment opportunities, the anticipated or expected allocation of investment opportunities to the Funds generally and other topics often addressed in legally binding side letters. Although such Outside Statements are not legally binding, such Outside Statements may influence allocation and other decisions of FP and its affiliates and employees with respect to the operations and investment activities of the Funds and may influence a prospective investor’s decision as to whether to invest in the Funds. By virtue of not being legally binding obligations, such Outside Statements will not be considered side letters for purposes of any most-favored-nation’s provisions in the Fund Documents. There can be no assurance that any such arrangements will not have an adverse effect on the Funds or any investor.

*U.S. Presidential Election.* Results from U.S. presidential and other elections create significant uncertainty with respect to the legal, tax and regulatory regime in which the Funds, as well as FP and its affiliates, will operate. The changes in the composition of the U.S. government following the election may result in a number of changes to U.S. and non-U.S. fiscal tax and other policies, as well as the global financial markets generally. Any significant changes in, among other things, economic policy, the regulation of the asset management industry, tax law, immigration policy and/or government entitlement programs could have a material adverse impact on the Funds and their investments.

*Inflation.* Inflation is a sustained rise in overall price levels. Moderate inflation is associated with economic growth, while high inflation can signal an overheated economy. Inflation risk is the risk that the value of assets or income from investments will be less in the future as inflation decreases the value of money (i.e., as inflation increases, the values of a Fund’s assets can decline). Inflation may pose a risk to investors because it can reduce savings and investment returns. Inflation and rapid fluctuations in inflation rates have had in the past, and may in the future have, negative effects on economies and financial markets, particularly in emerging economies. Furthermore, wages, prices of inputs and borrowing costs increase during periods of inflation, which can negatively impact returns on investments. Governmental efforts to curb inflation often have negative effects on the level of economic activity. Central banks, such as the U.S. Federal Reserve, generally attempt to control inflation by regulating the pace of economic activity. They typically attempt to affect economic activity by raising and lowering short-term interest rates. At times, governments may attempt to manage inflation through fiscal policy, such as by raising taxes or reducing spending, thereby reducing economic activity; conversely, governments can attempt to combat deflation with tax cuts and increased spending designed to stimulate economic activity. Inflation rates may change frequently and significantly as a result of various factors, including unexpected shifts in the domestic or global economy and changes in economic policies, and a Fund’s investments may not keep pace with inflation, which may result in losses to the Fund and

its investors. Further, certain countries, including the U.S., have continued to see increased levels of inflation and there can be no assurance that continued and more wide-spread inflation will not become a serious problem in the future and have an adverse impact on a Fund's returns. If inflation continues to increase, the real value of a Fund's investments could decline and the interest payments on a Fund's borrowings, if any, may increase.

*Equity and Equity-Like Investments.* Certain FP Credit Funds may invest in structured and/or preferred equity interests, convertible securities, warrants and otherwise in securities that have equity-like features and may otherwise end up owning equity securities as part of making or owning a debt instrument (e.g., in the case of foreclosure). Any equity interest owned by certain FP Credit Funds will generally rank junior to all existing and future indebtedness, including commercial mezzanine loans and senior debt. Further, in the event of a bankruptcy, liquidation, reorganization or other winding-up with respect to an issuer in which a FP Credit Fund holds an equity interest, a FP Credit Fund will bear a risk of loss principal as such interests are not generally secured.

*Data.* FP receives or obtains various kinds of data and information from the Funds, and their portfolio investments, including data and information relating to business operations, trends, budgets, customers and other metrics, some of which is sometimes referred to as "big data". FP can be expected to be better able to anticipate macroeconomic and other trends, and otherwise develop investment themes, as a result of its access to (and rights regarding) this data and information from the Funds, and their portfolio investments. FP may enter into information sharing and use arrangements with the Funds, and their portfolio investments, related parties and service providers, which may give FP access to (and rights regarding) data that it would not otherwise obtain in the ordinary course. Although FP believes that these activities improve FP's investment management activities on behalf of the Funds, information obtained from the Fund and its portfolio companies also provides material benefits to FP or other Funds without compensation or other benefit accruing to the Fund or investors. For example, information from a portfolio company owned by a Fund can be expected to enable FP to better understand a particular industry and execute trading and investment strategies in reliance on that understanding for FP and other Funds that do not own an interest in the portfolio companies, without compensation or benefit to a Fund or its portfolio companies.

Furthermore, except for contractual obligations to third parties to maintain confidentiality of certain information, and regulatory limitations on the use of material nonpublic information, FP is generally free to use data and information from a Fund's activities to assist in the pursuit of FP's various other activities, including to trade for the benefit of FP or another FP Fund. Any confidentiality obligations in the Fund Documents do not limit FP's ability to do so. For example, FP's ability to trade in securities of an issuer relating to a specific industry may, subject to applicable law, be enhanced by information of a portfolio company in the same or related industry. Such trading can be expected to provide a material benefit to FP without compensation or other benefit to a Fund or its investors. The sharing and use of "big data" and other information presents potential conflicts of interest and the investors acknowledge and agree that any benefits received by FP or its personnel (including fees (in cash or kind), costs and expenses) will not be subject to the management fee offset provisions or otherwise shared with a Fund or its investors. As a result,



FP has an incentive to pursue investments that have data and information that can be utilized in a manner that benefits FP or other FP Funds.

*Interest Rate Risks – Debt Investments.* In order to seek to reduce the interest rate risk inherent in a Fund's underlying investments and capital structure, a Fund may enter into interest rate transactions, including but not limited to interest rate swaps and caps. For instance, interest rate swaps involve the exchange by a Fund with a counterparty of fixed rate payments for floating rate payments; the payment obligations would be based on the notional amount of the swap. In an interest rate cap, a Fund would pay a premium to the counterparty to the interest rate cap and, to the extent that a specified variable rate index exceeds a predetermined fixed rate, would receive from the counterparty payments of the difference based on the notional amount of such cap. Depending on the state of interest rates in general, a Fund's use of interest rate transactions could enhance or harm the overall performance of the Fund.

#### Risks Applicable to Credit Investments

In addition to the risks described above, the following risks are primarily applicable to credit investments:

*Credit Risk.* One of the fundamental risks associated with a Fund's debt investments is credit risk, which is the risk that an issuer will be unable to make principal and interest payments on its outstanding debt obligations when due. A Fund's returns to its limited partners would be adversely impacted if an issuer of debt instruments in which said Fund invests were to become unable to make such payments when due. Even if a Fund makes investments that FP believes are secured by specific collateral the value of which initially exceeds the principal amount of such investments, there can be no assurance that the liquidation of any such collateral would satisfy the borrower's obligation in the event of non-payment of scheduled interest or principal payments with respect to such investment, or that such collateral could be readily liquidated. In addition, in the event of bankruptcy of a borrower, a Fund could experience delays or limitations with respect to its ability to realize the benefits of any collateral securing an investment. Under certain circumstances, collateral securing an investment may be released without the consent of the relevant Fund. Moreover, the Funds' investments in secured debt may be unperfected for a variety of reasons, including the failure to make required filings by lenders and, as a result, a Fund may not have priority over other creditors as anticipated. Furthermore, a Fund's right to payment and its security interest, if any, will be subordinated to the payment rights and security interests of any senior lenders. Certain of these investments may have interest-only payment schedules, with the principal amount remaining outstanding and at risk until the maturity of the investment. In such cases, a portfolio company's ability to repay the principal of an investment will be dependent upon a liquidity event or the long-term success of such portfolio company, the occurrence of which is uncertain.

*Senior Secured Loans.* The Funds may invest in a variety of different types of structured equity and debt, including senior secured loans. When a Fund makes a senior secured loan to a portfolio company, it generally shall take a security interest in the available assets of the portfolio company, including the equity interests of its subsidiaries, which should help mitigate the risk that such Fund will not be repaid. However, there is a risk that the collateral securing a Fund's loans may decrease

in value over time, may be difficult to sell in a timely manner, may be difficult to appraise, and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the portfolio company to raise additional capital. In some circumstances, a Fund's lien could be subordinated to claims of other creditors. In addition, deterioration in a portfolio company's financial condition and prospects, including its inability to raise additional capital, may be accompanied by deterioration in the value of the collateral for the loan. Consequently, the fact that a loan is secured does not guarantee that a Fund will receive principal and interest payments according to the loan's terms, or at all, or that such Fund will be able to collect on the loan should it be forced to enforce its remedies.

*Second Lien or Other Subordinated Loans or Debt.* The Funds may invest in second lien or other subordinated loans (including "mezzanine" loans). In the event of a loss of value of the underlying assets that collateralize the loans, the subordinated portions of the loans may suffer a loss prior to the more senior portions suffering a loss. If a borrower defaults and lacks sufficient assets to satisfy a Fund's loan, such Fund may suffer a loss of principal or interest. If a borrower declares bankruptcy, a Fund may not have full recourse to the assets of the borrower, or the assets of the borrower may not be sufficient to satisfy the loan. In addition, certain of a Fund's loans may be subordinate to other debt of the borrower. As a result, if a borrower defaults on a Fund's loan or on debt senior to a Fund's loan, or in the event of the bankruptcy of a borrower, such Fund's loan will be satisfied only after all senior debt is paid in full. FP's ability to amend the terms of a Fund's loans, assign a Fund's loans, accept prepayments, exercise a Fund's remedies (through "standstill periods"), and control decisions made in bankruptcy proceedings relating to borrowers may be limited by intercreditor arrangements if debt senior to a Fund's loans exists or due to self-imposed restrictions on voting intended to manage conflicts of interest, in the event of investments in portfolio companies in which other Funds (whether in existence now or in the future) are invested.

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

*Term Loans, Delayed Draw Loans or Revolvers.* The Funds may invest in term loans, delayed draw term loans, bridge loans, and revolving loans, together with, without limitation, other instruments described herein. A term loan is a loan that has a specified repayment schedule. A delayed draw loan is a loan that typically permits the borrower to withdraw pre-determined portions of the total amount borrowed at certain times. A revolving credit facility differs from a delayed draw loan in that as the borrower repays the loan, an amount equal to the repayment may be borrowed again during the term of the revolving credit facility. Delayed draw loans and revolving credit facilities usually provide for floating or variable rates of interest. If a Fund enters into or acquires a commitment with a borrower regarding a delayed draw loan or a revolver, such Fund will be obligated on one or more dates in the future to lend the borrower monies (up to an aggregate stated amount) if called upon to do so by the borrower. These commitments may have

the effect of requiring said Fund to increase its investment in a borrower at a time when it might not otherwise decide to do so (including at a time when the company's financial condition makes it unlikely that such amounts will be repaid). Delayed draw loans and revolvers may be subject to restrictions on transfer, and only limited opportunities may exist to resell such instruments. As a result, a Fund may be unable to sell such investments at an opportune time or may have to resell them at less than fair market value. In the event that a contractual obligation extends beyond a Fund's investment period, such Fund would be required to meet such contractual requirements and, if it were unable to do so, would be subject to contractual penalties under such loans. A Fund's obligation to meet such contractual requirements, which may be met through drawdowns of commitments, may extend beyond said Fund's investment period.

*Unrated Debt Obligations.* A Fund may invest in debt investments which may be unrated by a recognized credit rating agency, which may be subject to greater risk of loss of principal and interest than higher-rated debt obligations or debt obligations which rank behind other outstanding investments of the obligor, all or a significant portion of which, may be secured on substantially all of that obligor's assets. A Fund may also invest in debt investments which are not protected by financial covenants or limitations on additional indebtedness. In addition, evaluating credit risk for debt investments involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Any of these factors could have a material adverse effect on the performance of a Fund.

To the extent that a Fund invests in sub-investment grade investments that are also stressed or distressed, the risks discussed above are heightened.

*Value of a Fund's Collateral.* A Fund will often be dependent upon the value of a security interest it obtains in the tangible or intangible assets of its portfolio companies to mitigate credit risk and provide an additional source of secured repayment for the debt due to a Fund. There is no guarantee that a Fund's security interest will offset losses in whole or in part. Evaluating the potential value of a Fund's collateral involves a high degree of subjectivity and uncertainty, in part due to the fact that companies in technology, technology-enabled, and other growth industries operate in a rapidly evolving marketplace in which the value of their products, services, and assets is subject to considerable fluctuation or reduction. Additionally, structuring and implementing a security interest that can effectively access collateral involves risks. If the assets securing a Fund's debt investments deteriorate in value, or if a Fund's security position is subordinated to or otherwise compromised by other interests seeking repayment from the same collateral, a Fund may not be able to recover the principal balance of its debt investments or any unpaid interest or fees, and may experience losses. These potential losses could be exacerbated by any use of leverage by a Fund. In the event of a foreclosure, a Fund may directly or indirectly assume direct ownership of the underlying asset. The liquidation proceeds upon sale of such asset may not satisfy the entire outstanding balance of principal and interest on the loan, resulting in a loss to a Fund. Any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying property will further reduce the proceeds and thus increase a Fund's loss.

*High Yield Debt.* A Fund may invest in high yield debt, a substantial portion of which may be rated below investment-grade by one or more nationally recognized statistical rating organizations or may be unrated but of comparable credit quality to obligations rated below investment-grade,

and have greater credit and liquidity risk than more highly rated debt obligations. High yield debt is generally unsecured and may be subordinate to other obligations of the obligor. The lower rating of high yield debt reflects a greater possibility that adverse changes in the financial condition of the obligor or in general economic conditions (including, for example, a substantial period of rising interest rates or declining earnings) or both may impair the ability of the obligor to make payment of principal and interest. Many issuers of high yield debt are highly leveraged, and their relatively high debt-to-equity ratios create increased risks that their operations might not generate sufficient cash flow to service their debt obligations. In addition, many issuers of high yield debt may be in poor financial condition, experiencing poor operating results, having substantial capital needs or negative net worth or be facing special competitive or product obsolescence problems, and may include companies involved in bankruptcy or other reorganizations or liquidation proceedings. Certain of these instruments may not be publicly traded, and, therefore, it may be difficult to obtain information as to the true condition of the issuers. Overall declines in the below investment-grade bond and other markets may adversely affect such issuers by inhibiting their ability to refinance their debt at maturity. High yield debt is often less liquid than higher rated debt.

High yield debt is often issued in connection with leveraged acquisitions or recapitalizations in which the issuers incur a substantially higher amount of indebtedness than the level at which they had previously operated. High yield debt has historically experienced greater default rates than has been the case for investment-grade debt.

High yield debt may also be in the form of zero-coupon or deferred interest bonds, which are bonds which are issued at a significant discount from face value. The original discount approximates the total amount of interest the bonds will accrue and compound over the period until maturity or the first interest accrual date at a rate of interest reflecting the market rate of the debt at the time of issuance. While zero-coupon bonds do not require the periodic payment of interest, deferred interest bonds generally provide for a period of delay before the regular payment of interest begins. Such investments experience greater volatility in market value due to changes in the interest rates than bonds that provide for regular payments of interest.

*Covenant-Lite Loans.* A Fund may invest in “covenant-lite” loans, which contain limited, if any, financial covenants. Generally, such loans either do not require the obligor to maintain debt service or other financial ratios or do not contain common restrictions on the ability of the obligor to change significantly its operations or to enter into other significant transactions that could affect its ability to repay such loans. As a result, a Fund’s exposure to different risks may be increased, including with respect to liquidity, price volatility and ability to restructure loans, than is the case with loans that have such requirements and restrictions.

*Convertible Securities.* The credit investments expected to be made by the Funds include convertible securities, which are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or a different issuer within a particular period of time at a specified price or formula. A convertible security entitles the holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. The ability of a portfolio company to pay a dividend is limited to the extent that the portfolio company does not have sufficient legally available funds for distribution.

Convertible securities have unique investment characteristics in that they generally: (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities; (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed income characteristics; and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases. The value of a convertible security is a function of its “**investment value**” (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its “**conversion value**” (the security’s worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security’s investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed income security. Generally, the amount of the premium decreases as the convertible security approaches maturity. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security’s governing instrument. If a convertible security held by a Fund is called for redemption, such Fund will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the Fund’s ability to achieve its investment objective.

*Distressed Securities Generally.* A Fund is permitted to invest in the securities and obligations, including debt obligations that are in covenant or payment default, of companies experiencing significant financial difficulties and material operating issues, including companies that may have been, are or will become involved in bankruptcy proceedings or other restructuring, recapitalization or liquidation processes. Distressed debt securities are subject to the significant risk of an issuer’s inability to meet principal and interest payments on the obligations (credit risk) and also may be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (market risk). Distressed securities may react to developments affecting market and credit risk more than non-distressed securities. A wide variety of other considerations exist, including, for example, the possibility of litigation between the participants in a reorganization or liquidation proceeding or a requirement to obtain mandatory or discretionary consents from various governmental authorities or others. The uncertainties inherent in evaluating such investments may be increased by legal and practical considerations which limit the access of the General Partner or FP to reliable and timely information concerning material developments affecting a company, or which cause lengthy delays in the completion of the liquidation or reorganization proceedings. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial distress is unusually high. There is no assurance that the General Partner or FP will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which a Fund invests, a Fund

may lose its entire investment or may be required to accept cash or securities with a value less than the Fund's original investment.

*Credit Ratings are Not a Guarantee of Quality.* Rating agencies rate debt securities based upon their assessment of the likelihood of the receipt of principal and interest payments. Rating agencies do not consider the risks of fluctuations in market value or other factors that may influence the value of debt securities. Therefore, the credit rating assigned to a particular instrument may not fully reflect the true risks of an investment in such instrument. Credit rating agencies may change their methods of evaluating credit risk and determining ratings. These changes may occur quickly and often. While a Fund may give some consideration to ratings, ratings may not be indicative of the actual credit risk of the Fund's investments in rated instruments.

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

In addition, by investing in debt instruments, common law principles that in some cases form the basis for lender liability claims could expose a Fund to liability. These principles apply if a lending institution is found to have (i) intentionally taken an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (ii) engaged in other inequitable conduct to the detriment of such other creditors, (iii) engaged in fraud with respect to, or made misrepresentations to, such other creditors or (iv) used its influence as a stockholder to dominate or control a borrower to the detriment of the other creditors of such borrower. In such case, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination." Additionally, if a Fund's debt investment is in a portfolio company in which a Fund also holds an equity investment, there is a risk that the Fund's debt investment could be subjected to equitable subordination, recharacterization, and/or subordinated to the claims of other creditors, depending upon the facts and circumstances (including the degree of involvement in management or control wielded by a Fund), any of which would potentially impair the value materially. Because of the nature of certain of the Fund's investments, the Fund could be subject to claims from creditors or shareholders of an obligor that the Fund's investments issued by such obligor that are held by the Fund should be equitably subordinated. A significant number of a Fund's investments may involve investments in which the Fund would not be the lead creditor. Accordingly it is possible that lender liability or equitable subordination claims affecting a Fund investment could arise without the direct involvement of the Fund.

*Fraudulent Conveyance.* Various U.S. federal and state and applicable foreign laws enacted for the protection of creditors may apply to the purchase of a Fund's investments, which constitute the primary assets of a Fund, by virtue of the Fund's role as a creditor with respect to the borrowers under such investments. In general, if payments on an investment are voidable, whether as

fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient (such as a Fund) or from subsequent transferees of such payments, including investors.

*Participation on Creditors' Committee.* A Fund, while it has no obligation to do so, may serve on committees formed by creditors (“**Creditors’ Committees**”) to negotiate with the management of financially troubled companies that may or may not be in bankruptcy. A Fund may also seek to negotiate directly with debtors with respect to restructuring issues. Even if a Fund chooses to join a Creditors’ Committee, there can be no assurance that a Fund would be successful in obtaining results favorable to it in such proceedings, and a Fund may incur significant legal fees and/or other expenses in attempting to do so, as Creditors’ Committees generally consist of many participants, each of which attempts to obtain an outcome that is in its individual best interests. As a result of a Fund’s service on such Creditors’ Committees, a Fund may be deemed to have duties to other creditors represented by the Creditors’ Committees, which might thereby expose the Fund to liability to such other creditors who disagree with the Fund’s actions.

The General Partner, on behalf of a Fund, may elect to serve on Creditors’ Committees, equity holders’ committees, or other groups to ensure preservation or enhancement of a Fund’s position as a creditor or equity holder. A member of any such Creditors’ Committee or group may owe certain obligations generally to all parties similarly situated that the Creditors’ Committee represents. If the General Partner concludes that its obligations owed to the other parties as a Creditors’ Committee or group member conflict with its duties owed to the Fund, it will resign from that Creditors’ Committee or group, and the Fund may not realize the benefits, if any, of the General Partner’s service on the Creditors’ Committee or group. Additionally, if a Fund is represented on a Creditors’ Committee or group, it may be restricted or prohibited under applicable law from disposing of its investments in the subject company while it continues to be represented on such Creditors’ Committee or group.

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

*Speculative Nature of Investments in Stressed or Distressed Debt.* The Funds may invest in stressed or distressed debt securities and instruments. Investments in stressed and distressed debt securities and instruments are inherently speculative and are subject to a high degree of risk. Companies experiencing financial distress are often those operating at a loss or with substantial variations in operating results from period to period. Companies experiencing financial distress may be involved in insolvency proceedings and have the need for substantial additional capital to support continued operations or to improve their financial condition and may have very high amounts of leverage. Distressed companies may have further inability to service their debt obligations during an economic downturn or periods of rising interest rates, may not have access

to more traditional methods of financing, and may be unable to repay debt by refinancing. The value of stressed and distressed debt securities and instruments tends to be more volatile and may have an increased price sensitivity to changing interest rates and adverse economic and business developments than other securities and instruments. Stressed and distressed debt securities and instruments are often more sensitive to company-specific developments and changes in economic conditions than other securities and instruments.

*Dislocated Structured Credit; Regulatory Capital Investments.* A Fund expects to capitalize on credit-oriented investment opportunities which may arise as a result of the dislocation of credit markets and/or lenders' balance sheet pressures, such as primary and secondary structured products, regulatory capital relief and mortgage servicing rights. The value of such investments can be subject to fluctuations when capital markets are dislocated as a result of volatility in such markets. The valuation of investments is more subjective when markets are illiquid and may increase the risk that the estimated fair value of an Investment is not reflective of prices at which actual transactions would occur. Furthermore, changes in applicable laws or regulations, or in the interpretations of these laws and regulations, could result in decreased regulatory capital requirements in the case of banks or similarly regulated entities, which may in turn (1) increase competition for attractively priced investments and (2) reduce the number of attractive investment opportunities available to a Fund arising from current regulatory capital requirements (e.g., the need for banking institutions to divest certain assets and debt instruments to meet their regulatory capital requirements).

*Structured Products.* A Fund may invest from time to time in structured products, including collateralized loan obligations ("CLOs") and other pools of loans. A Fund's investments in structured products will be subject to a number of risks, including risks related to the fact that the structured products will be leveraged. Many structured products contain covenants designed to protect the providers of debt financing to such structured products. A failure to satisfy those covenants could result in the untimely liquidation of the structured product and a complete loss of a Fund's investment therein. In addition, if the particular structured product is invested in a security in which a Fund is also invested, this would tend to increase the Fund's overall exposure to the credit of the issuer of such securities. The value of an investment in a structured product will depend on the investment performance of the underlying assets or interests in which the structured product invests and will, therefore, be subject to all of the risks associated with an investment in those underlying assets or interests. These risks include the possibility of a default by, or bankruptcy of, the issuers of such assets or a claim that the pledging of collateral to secure any such asset constituted a fraudulent conveyance or preferential transfer that can be subordinated to the rights of other creditors under applicable law. In the case where a Fund invests in structured products (including CLOs and other pools or portfolios of loans and credit instruments), the diversification limitations set forth in the Fund Documents will be applied separately to each underlying issuer and/or borrower comprising such structured product. This may result in concentration of a Fund's investments in a limited number of structured products or issuers and a Fund will be permitted to invest in structured products in excess of its diversification limitations, which may increase the overall risk/concentration of the Fund's investment portfolio.

*General Credit Risks.* While loans originated or held by a Fund or its affiliates are intended to be overcollateralized, a Fund may be exposed to losses resulting from default and foreclosure.



Therefore, the value of the underlying collateral, the creditworthiness of the borrower and the priority of the lien are each of great importance. A Fund cannot guarantee the adequacy of the protection of a Fund's interests, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, a Fund cannot assure that claims may not be asserted that might interfere with enforcement of a Fund's rights. In the event of a foreclosure, a Fund or an affiliate of a Fund may assume direct ownership of the underlying asset. The liquidation proceeds upon sale of such asset may not satisfy the entire outstanding balance of principal and interest on the loan, resulting in a loss to a Fund. Any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying property will further reduce the proceeds and thus increase the loss.

*Spread Widening Risk.* For reasons not necessarily attributable to any of the risks set forth herein (for example, supply/demand imbalances or other market forces), the prices of the debt instruments and other securities in which a Fund invests may decline substantially. Volatility uncertainty in public markets, particularly in debt markets, may have the impact of increasing the spreads between debt instruments and their relevant benchmarks, indicated an increasing risk of defaults. Thus, purchasing debt instruments or other assets at what may appear to be "undervalued" or "discounted" levels (due to perceived market dislocations or otherwise) is no guarantee that these assets will not be trading at even lower levels at a future time of valuation or at the time of sale. It may not be possible to predict, or to hedge against, such "spread widening" risk. Additionally, the perceived discount in pricing from previous environments described herein may still not reflect the true value of the assets underlying debt instruments in which a Fund invests, and therefore further deteriorations in value with respect thereto may occur following a Fund's investment therein.

*Financial Institution Risk; Distress Events.* An investment in a Fund is subject to the risk that one of a Fund's banks, brokers, hedging counterparties, lenders or other custodians of some or all of the Fund's assets (each, a "**Financial Institution**") fails to perform its obligations or experiences insolvency, closure, 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 or accounting irregularities. In the event a Financial Institution experiences a Distress Event, FP, the Funds and/or their portfolio companies may not be able to access deposits, borrowing facilities or other services for an extended period of time or ever. 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 ("**FDIC**"), in the case of banks, or the Securities Investor Protection Corporation ("**SIPC**"), in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose increased risk of loss. Any amounts in excess of the relevant insurance would only have an uninsured claim against the banking institution and participate pro rata with other unsecured creditors in the residual value of the banking institution's assets. Although in the past governmental intervention has resulted in additional protections for depositors, there can be no assurance that governmental intervention will be successful or avoid the risk of loss, substantial delays or negative impact on banking or brokerage conditions or markets. The loss of amounts maintained with a banking institution or the inability to access such amounts for a period of time, even if ultimately recovered, could be materially adverse to the Funds or their portfolio companies.

Any Distress Event has a potentially adverse effect on the ability of the General Partner to manage a Fund and their investments, and on the ability of the General Partner, a Fund and/or portfolio companies to maintain operations, which in each case could result in significant losses and unconsummated investment acquisitions and dispositions. Such losses have the potential to include a Fund being required to pay fees and expenses in the event a Fund is not able 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 investors to make capital contributions or otherwise), as well the inability of the Fund to acquire or dispose of investments at prices that the General Partner believes reflect the fair value of such investments and/or the inability of portfolio companies to make payroll, fulfill obligations and maintain operations. Although the General Partner expects to exercise contractual remedies under the agreements with Financial Institutions in the event of a Distress Event, there can be no assurance that such remedies will be successful or avoid losses or delays. The General Partner may not be able to identify all potential solvency or stress concerns with respect to a banking institution or to transfer assets from one bank to another in a timely manner in the event a banking institution comes under stress or fails.

Many Financial Institutions require, as a condition to using their services or otherwise, that General Partner and/or the Fund maintain all or a set amount or percentage of their respective accounts or assets with such Financial Institution or its affiliate(s) (each, a “**Custodian**”), which heightens the risks associated with a Distress Event with respect to such Custodians. Although the General Partner seeks to do business with Custodians that it believes are creditworthy and capable of fulfilling their respective obligations to the Fund, General Partner is under no obligation to use a minimum number of Custodians with respect to the Fund, or to maintain account balances at or below the relevant insured amounts.

*Interest Rate Risk.* Changes in the prevailing market interest rates could negatively affect the value of investments in a Fund’s portfolio. The ability of companies or businesses in which a Fund may invest to refinance debt instruments or repay debt obligations (including making payments to a Fund as a creditor with respect thereto) may depend on their ability to obtain financing, including by selling new securities or instruments in the high yield debt or bank financing markets, which at certain points over the last several years have been extraordinarily difficult to access at favorable rates. Volatility and instability in the securities market also may increase the risks inherent in a Fund’s investments. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate credit instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner, although generally to a lesser degree. Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules. Additional factors that may affect market interest rates include inflation, slow or stagnant economic growth or recession, unemployment, international disorders and instability in domestic and foreign financial markets. A Fund expects that it will periodically experience imbalances in its assets and liabilities as a result of changes in interest rates. In a changing interest rate environment, a Fund may not be able to manage this risk effectively. If a Fund is unable to manage interest rate risk effectively, a Fund’s

performance could be adversely affected. While a Fund is permitted to seek to do so, it is not required to hedge its interest rate risk.

*Prepayment Risk.* The frequency at which prepayments (including voluntary prepayments by the obligors and accelerations due to defaults) occur on debt instruments will be affected by a variety of factors including the prevailing level of interest rates and spreads as well as economic, demographic, tax, social, legal and other factors. Generally, obligors tend to prepay their fixed rate obligations when prevailing interest rates fall below the coupon rates on their obligations. Similarly, floating rate issuers and borrowers tend to prepay their obligations when spreads narrow. In general, “premium” securities (securities whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and “discount” securities (securities whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments. Since many fixed rate obligations will be discount instruments when interest rates and/or spreads are high, and will be premium instruments when interest rates and/or spreads are low, such debt instruments may be adversely affected by changes in prepayments in any interest rate environment.

The adverse effects of prepayments may impact a Fund’s portfolio in two ways. First, particular investments may experience outright losses, as in the case of an interest-only instrument in an environment of faster actual or anticipated prepayments. Second, particular investments may underperform relative to hedges that FP may have constructed for these investments, resulting in a loss to a Fund’s overall portfolio. In particular, prepayments (at par) may limit the potential upside of many instruments to their principal or par amounts, whereas their corresponding hedges often have the potential for unlimited loss.

*Borrower Fraud; Breach of Covenant.* For a credit investment, a Fund will typically seek to obtain structural, covenant, and/or other contractual protections with respect to the terms of its investments as determined appropriate under the circumstances. There can be no assurance that such attempts to provide downside protection with respect to a Fund’s investments will achieve the desired effect and potential investors should regard an investment in such Fund as being speculative and having a high degree of risk. Of paramount concern in originating or acquiring the financing contemplated by a Fund is the possibility of material misrepresentation or omission on the part of the borrower or other credit support providers or breach of covenant by such parties. Such inaccuracy or incompleteness or breach of covenants may adversely affect the valuation of the collateral underlying the loans or the ability of a Fund to perfect or effectuate a lien on the collateral securing the loan or otherwise realize on the investment. A Fund will rely upon the accuracy and completeness of representations made by borrowers to the extent reasonable but cannot guarantee such accuracy or completeness.

*Default and Foreclosure Risks.* Loans originated or acquired by the Funds may become after their origination or acquisition non-performing for a wide variety of reasons. Such non-performing loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and/or a substantial write-down of the principal of such loans. In addition, even if a loan does not become a non-performing loan, its value may be substantially impaired if an uninsured or under-insured loss affecting the collateral occurs. For example, if the obligor of a loan originated or acquired by the Funds does

not maintain insurance coverage, the Funds will have the risk of any loss resulting from any uninsured event and may be unable to realize full repayment of such loan. Moreover, such assets may not be protected by financial covenants or limitations upon additional indebtedness.

It is possible that FP may find it necessary or desirable to foreclose on collateral securing one or more loans made or purchased by the Funds. The foreclosure process varies jurisdiction by jurisdiction and can be lengthy and expensive. Borrowers often resist foreclosure actions by asserting numerous claims, counterclaims and defenses against the holder of a loan including without limitation lender liability claims and defenses, even when such assertions may have no basis in fact, in an effort to prolong the foreclosure action. In some jurisdictions, foreclosure actions can take up to several years or more to conclude. During the foreclosure proceedings, a borrower may have the ability to file for bankruptcy, potentially staying the foreclosure action and further delaying the foreclosure process. Foreclosure litigation tends to create a negative public image of the collateral property and may result in disrupting ongoing management of the property. In addition, certain of the loans that the Funds originates or acquires may be structured so that all or a substantial portion of the principal will not be paid until maturity, which increases the risk of default at that time.

Portfolio assets in assets in workout modes or under Chapter 11 of the U.S. Bankruptcy Code (or similar laws in other jurisdictions) are, in certain circumstances, subject to certain additional liabilities that may exceed the value of the Funds' contributed capital. For example, under certain circumstances, lenders who have inappropriately exercised control of the management and policies of a debtor may have their claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments to the Funds and distributions by the Funds to their partners may be reclaimed if any such payment is later determined to have been a fraudulent conveyance or a preferential payment. Moreover, bankruptcy laws may delay the ability of the Funds to realize on collateral for loan positions held by them or may adversely affect the priority of such loans through doctrines such as equitable subordination. Bankruptcy laws may also result in a restructure of the debt without the Funds' consent under the "cramdown" provisions of the bankruptcy laws and may also result in a discharge of all or part of the debt without payment to the Funds.

*Fixed Income Securities.* A Fund may invest in fixed income securities. Investment in these securities may offer opportunities for income and capital appreciation and may also be used for temporary defensive purposes and/or to maintain liquidity. Fixed income securities are subject to the risk of the issuer's or a guarantor's inability to meet principal and interest payments on its obligations and are subject to price volatility due to factors such as interest rate sensitivity, market perception of the creditworthiness of the company and general market liquidity.

*Zero Coupon and PIK Bonds.* A Fund may invest in zero coupon or PIK bonds. Because investors in such bonds receive no cash prior to the maturity or cash payment date applicable thereto, an investment by a Fund in such securities generally has a greater potential for complete loss of principal and/or return than an investment in debt instruments that make periodic interest payments. Such investments are more vulnerable to the creditworthiness of the issuer and any other parties upon which performance relies.

*Capital Structure Arbitrage.* In certain circumstances the execution of a distressed investing strategy involves the ability of the General Partner to identify and exploit the relationships between movements in different instruments within an issuer's or borrower's capital structure (e.g., senior bank debt, second liens, debt instruments and other obligations, convertible and non-convertible senior and subordinated debt, preferred equity and common stock). Identification and exploitation of these opportunities involve uncertainty. In the event that the perceived pricing inefficiencies underlying the investments of an issuer held by a Fund were to fail to materialize as expected by the General Partner, the Fund could incur a loss.

*Priority of Repayment.* With respect to any senior loans in which a Fund invests, the characterization of such investment as senior debt or senior secured debt does not mean that such debt will necessarily have repayment priority with respect to all other obligations of a borrower. Borrowers may have, and/or may be permitted to incur, other debt and liabilities that rank equally with or senior to the senior loans in which a Fund invests. If other indebtedness is incurred that ranks in parity in right of payment or proceeds of collateral with respect to senior loans in which a Fund invests, the Fund would have to share on an equal basis any distributions with other creditors in the event of a liquidation, reorganization, insolvency, dissolution or bankruptcy of such a borrower. Where a Fund holds a first lien to secure senior indebtedness, the borrowers may be permitted to issue other senior loans with liens that rank junior to the first liens granted to a Fund. The intercreditor rights of the holders of such other junior lien debt may, in any liquidation, reorganization, insolvency, dissolution or bankruptcy of such a borrower, affect the recovery that a Fund would have been able to achieve in the absence of such other debt.

Even where the senior loans held by a Fund are secured by a perfected lien over a substantial portion of the assets of a borrower and its subsidiaries, the borrower and its subsidiaries will often be able to incur a substantial amount of additional indebtedness, which may have an exclusive lien over particular assets. For example, debt and other liabilities incurred by non-guarantor subsidiaries of borrowers will be structurally senior to the debt held by a Fund. Accordingly, any such debt and other liabilities of such subsidiaries would, in the event of liquidation, dissolution, insolvency, reorganization or bankruptcy of such subsidiary, be repaid in full before any distributions to an obligor of the loans held by a Fund. Furthermore, these other assets over which other lenders have a lien may be substantially more liquid or valuable than the assets over which a Fund has a lien. A Fund's investments in second-lien secured debt and other junior debt would further compound the risks described in this paragraph.

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

*Swaps Generally.* The Funds may enter into swaps, including total return swaps, rate of return swaps, credit default swaps (including index credit default swaps) and interest rate swaps. Swaps transactions, like other financial transactions, involve a variety of significant risks. The specific risks presented by a particular swap transaction necessarily depend upon the terms of the transaction and the Funds' circumstances. In general, however, all swaps transactions involve some combination of market risk, credit risk, counterparty credit risk, funding risk, liquidity risk and operational risk. Highly customized swaps transactions in particular may increase liquidity risk. Highly leveraged transactions may experience substantial gains or losses in value as a result of relatively small changes in the value or level of an underlying asset or related market factor. In evaluating the risks and contractual obligations associated with a particular swap transaction, it is important to consider that a swap transaction may be modified or terminated only by mutual consent of the original parties and subject to agreement on individually negotiated terms. Therefore, it may not be possible for the Funds to modify, terminate or offset its obligations under a swap or its exposure to the risks associated with a swap prior to its scheduled termination date.

*Relationships with Borrowers and/or Issuers.* Borrowers and/or issuers are or will be counterparties or participants in agreements, transactions or other arrangements with portfolio companies of other investment funds managed by FP or other FP affiliates in connection with providing arranging, underwriting, financing, syndicating, refinancing, commitment, origination, placement, investment banking, divestment, structuring, loan modification or restructuring, servicing (including loan servicing and special servicing), advisory, asset management, monitoring and oversight of loans, consulting, organizational, administrative (including treasury, collateral management, and affirmation/confirmation) and other services described below under "Other Fees: Fees from Portfolio Companies," that, although FP determines to be consistent with the requirements of such funds governing agreements, would not have otherwise been entered into but for the affiliation with FP, and which involve fees and/or servicing payments to FP affiliated entities which are not subject to the management fee offset provisions described in "Other Fees: Fees from Portfolio Companies." In connection with such relationships, FP may also make referrals and/or introduction to certain borrowers and/or issuers (which may result in financial incentives (including additional equity ownership) and/or milestones benefitting FP that are tied or related to participation by such borrowers and/or issuers). A Fund and its investors will not share in any fees or economic accruing to FP as a result of these relationship and/or participation by such borrowers and/or issuers.

FP may from time to time participate in underwriting or lending syndicates with respect to portfolio companies and/or investments of a Fund, or otherwise be involved in the offering and/or private placement of debt or equity securities issued by, or loan proceeds borrowed by, the portfolio companies, or otherwise in arranging financing (including loans) for portfolio companies and/or investments or advising on such transactions. FP may also from time to time, on behalf of a Fund or other parties to a transaction involving the Funds, effect transactions, including transactions in the secondary markets where it will from time to time nonetheless have a potential conflict of interest regarding a Fund and the other parties to those transactions to the extent it receives commissions or other compensation from the Fund and such other parties.

**Item 9. Disciplinary Information**

FP does not believe that there have been any legal or disciplinary events that are material to its advisory business or the integrity of its management.

## Item 10. Other Financial Industry Activities and Affiliations

Various FP affiliated entities are General Partners of the respective Funds. For a description of material conflicts of interest created by the relationship among FP, the Funds, the portfolio companies, the investors, and the General Partners, as well as a description of how such conflicts are addressed, see Item 11 below.

Francisco Partners Operations LLP (“**FP Operations**”) is an FP-affiliated investment adviser that is located in the United Kingdom and registered with the Financial Conduct Authority.<sup>3</sup>

FP is registered with the SEC as an investment adviser and is currently exempt from registration with the CFTC as a commodity trading advisor and a commodity pool operator.

---

<sup>3</sup> Under a Memorandum of Understanding (“**MOU**”) between FP and FP Operations, FP Operations is a Participating Affiliate of FP as that term is used in relief granted by the staff of the SEC allowing U.S. registered investment advisers to use investment management and trading resources of unregistered advisory affiliates subject to the regulatory supervision of the registered investment adviser. FP Operations and its employees who provide services to the Funds are considered under the MOU to be “associated persons” of FP as that term is used under the Advisers Act for purposes of FP’s required supervision. FP Operations has agreed to submit to the jurisdiction of the SEC and to the jurisdiction of the U.S. courts for actions arising under the U.S. securities laws in connection with the investment management services they provide for any Funds.



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

### **Code of Ethics**

FP has adopted a Code of Ethics (“**Code**”) which sets forth standards of business conduct that FP requires of its supervised persons. The Code is intended to assist the Firm and its supervised persons in complying with the requirements of Rule 204A-1 under the Advisers Act, as well as provisions of applicable federal securities laws.

The Code also sets forth personal trading policies and reporting requirements applicable to access persons and certain family members that are designed to address actual or potential conflicts of interest (or appearances of conflicts) with the Funds. The Code requires all access persons of the Firm to report brokerage transactions to FP Compliance. Transactions in certain financial products, including certain mutual fund shares, U.S. government securities, and certain money market instruments are excluded from such reporting requirements. The Code also requires that access persons seek pre-clearance with respect to purchases and sales of most types of securities. These pre-clearance requirements do not apply to transactions in certain investments, including investments in accounts over which the access person has no direct or indirect investment discretion, influence or control.

FP access persons who violate the Code may be subject to remedial actions, including, but not limited to, re-training, escalation to senior management, profit disgorgement, fines, censure, demotion, suspension or dismissal. FP access persons are also required to promptly report any violation of the Code of which they become aware. FP access persons are required to annually certify compliance with the Code.

A copy of the Code is available to any Fund, or prospective client upon request to: [compliance@franciscopartners.com](mailto:compliance@franciscopartners.com).

### **Participation or Interests in Client Transactions**

Certain personnel and affiliates of FP may invest in and alongside the Funds, either through the General Partners, as direct investors in the Funds, or otherwise. A Fund or its General Partner, as applicable, may reduce all or a portion of the management fee and carried interest related to investments held by such persons. For further details regarding these arrangements, as well as conflicts of interest presented by them, see below.

### **Conflicts of Interest**

FP provides targeted advisory services, including investment activities for themselves (*e.g.*, co-investment vehicles) and for the account of the Funds and transaction-related, advisory, management, and other services to funds and operating companies, including portfolio companies of the Funds. FP will devote such time, personnel, and internal resources as are necessary to conduct the business affairs of the Funds in an appropriate manner, as required by the relevant Fund Document, although the Funds and their respective investments will place varying levels of

demand on these over time. In the ordinary course of conducting its activities, the interests of a Fund or its investors may conflict with the interests of FP or its affiliates or one or more other Funds or with their respective affiliates.

### Handling of Conflicts of Interest

Any of the situations discussed below subjects FP and/or its affiliates to potential conflicts of interest. FP and its affiliates will deal with conflicts of interest using their best judgment and discretion. In the case of conflicts involving the Funds, the determination as to which factors are relevant, and the resolution of such conflicts, will be made in the sole discretion of FP, except as required by the applicable Fund Documents. In resolving conflicts, FP considers various factors, including the interests of the applicable Funds with respect to the immediate issue and/or with respect to their longer-term courses of dealing. Certain procedures for handling and/or resolving specific conflicts of interest are set forth below.

The following factors may alleviate, but will not eliminate, conflicts of interest among FP and the Funds: (i) certain conflicts of interest will be addressed pursuant to set procedures, restrictions or other provisions contained in the relevant Fund Documents; (ii) FP has adopted and implemented certain policies and procedures designed to reduce certain conflicts of interest; (iii) prior to subscribing for an interest in a Fund, each investor receives relevant Fund Documents, which contain information relating to significant potential conflicts of interest arising from the proposed activities of the Fund; and (iv) an advisory board of representatives of the limited partners of each Fund (“**Advisory Board**”) will approve or consent to certain material conflict of interest transactions or scenarios, including those specifically delineated in the relevant Fund Documents and referred to the Advisory Board by such Fund’s General Partner.

In addition, certain provisions of a Fund’s Fund Documents are designed to protect the interests of investors in situations where conflicts may exist and/or arise, although these provisions do not eliminate such conflicts. To the extent that an investment or relationship raises particular conflicts of interest, FP will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. There can be no assurance, however, that FP will identify or resolve all conflicts in a manner that is favorable to the Funds, and the Funds’ investors may not be entitled to receive notice or disclosure of the actual occurrence of conflicts or have any right to consent to them as they arise. In certain instances, some of such conflicts of interest may be resolved in a manner adverse to a Fund and its ability to achieve its investment objectives.

Contact the FP Compliance Department with any additional questions or concerns not addressed below.

### Potential Sources of Conflicts of Interest

The potential conflicts of interest encountered by a Fund include those discussed below, although the discussion below does not describe all of the potential conflicts that may be faced by the Funds. The conflicts of interest discussed below are not listed in order of importance or priority and may not consider all factors for all possible circumstances, and some conflicts of interest may be more

or less relevant or important depending upon the nature of the particular circumstances. Other conflicts are disclosed throughout this Brochure, and the Brochure should be read in its entirety for other conflicts. Conflicts of interest are also discussed in more detail in the relevant Fund Documents.

### *Management of the Funds*

FP may give advice or take actions with respect to the investments of one or more Funds that may not be given or taken with respect to other Funds with similar investment programs, objectives or strategies. As a result, Funds with similar strategies will not hold the same securities or achieve the same performance. In addition, a Fund may not be able to invest through the same investment vehicles or have access to similar credit facilities. These differences will result in variations with respect to price, leverage, and associated costs of a particular investment opportunity.

Personnel of FP responsible for managing a particular Fund generally have responsibilities with respect to other Funds, including Funds that may be raised in the future. Conflicts of interest may arise in allocating time, services or functions of these FP personnel across existing and future Funds. FP personnel have an incentive to allocate more time, services or functions to Funds from which such FP personnel derive a higher economic benefit and/or to better-performing Funds.

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

As described in Item 4 above, the Funds have entered, or in the future may enter, prior to the closing of such Fund, into Side Letters with one or more of the Fund's investors which provide such investors with additional or different rights than other investors have pursuant to the Fund Documents, including, but not limited to, different information rights, co-investment rights, and liquidity or transfer rights.

A Fund and one or more other Funds may be deemed or may desire to avoid being deemed to hold "plan assets" subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). With respect to ERISA considerations, FP and certain affiliates may be restricted from entering into certain transactions if the investment would trigger ERISA considerations with respect to a Fund, or may be obligated to take certain actions or refrain from taking certain actions in order to avoid an ERISA consideration with respect to such Fund.

From time to time, FP will consult with or co-invest with other parties in the private equity investment industry. While FP believes that such relationships will result in enhanced investment opportunities for the Funds, it is possible that certain opportunities will not be available to the

Funds as a result of such relationships or, if available, such parties' interests or its obligations to their clients may diverge from the Funds' interests. In addition, such parties may possess inside information concerning specific companies that could limit a Fund's ability to buy or sell securities issued by such companies.

The General Partner of a Fund may, in its discretion, under certain circumstances elect to increase its commitment to such Fund prior to the final close of the Fund without the consent of the limited partners. Any increased commitment by the General Partner will dilute the interests of the limited partners. To the extent that such increased commitment is implemented after a Fund has begun making investments, the General Partner would have information about the Fund's investments, including regarding their valuation and performance expectations, which the limited partners do not have and that information may inform its decision whether to increase its capital commitment. Therefore, the General Partner would have a conflict of interest in deciding to increase its commitment because a decision to do so may result in the General Partner receiving value that would have otherwise benefitted limited partners.

#### *Diverse Membership*

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

#### *Advisory Board Rights*

Generally, each Fund has established an Advisory Board, consisting of representatives of investors. A conflict of interest may exist when some, but not all, limited partners are permitted to designate a member to the Advisory Board because, for instance, those designating limited partners will have greater information rights. The Advisory Board may also have the ability to approve conflicts of interests with respect to FP and the applicable Fund, which could be disadvantageous to the investors, including those investors who do not designate a member to the Advisory Board. Representatives of the Advisory Board may have various business and other relationships with FP and its partners, personnel, and affiliates. These relationships may influence the decisions made by such members of the Advisory Board.

In addition, members of one Fund's Advisory Board may also be members of another Fund's Advisory Board. In such instances, a conflict of interest exists because the Funds on which such overlapping Advisory Board membership exists may have conflicting interests and such Advisory

Board members may be asked to provide their consent with respect to such conflicts of interest and will not recuse themselves from any such vote.

### *Fees and Expenses*

The opportunity to receive fees from actual or prospective portfolio companies or other investment vehicles of a Fund creates a conflict of interest between FP, on the one hand, and such Fund and its limited partners, on the other hand, because: (1) the amounts of such fees over time are expected to be substantial; (2) the Fund and its limited partners do not have an interest in FP; and (3) the rights of the Fund and its limited partners to these fees is limited to the reduction of future management fees described above in Item 5. Also, because there is a fixed investment period when capital may be invested by the Fund, and after which capital from investors in Funds may only be drawn down in limited circumstances, and because management fees are, at certain times during the life of a Fund, based upon capital invested by such Fund, this fee structure may create an incentive to invest capital when FP may not otherwise have done so.

From time to time, FP may consider and reject an investment opportunity on behalf of one Fund and FP, or an affiliate of FP may subsequently determine to have another Fund make an investment in the same company. A potential conflict of interest can arise in such circumstances if one Fund benefits from the initial evaluation, investigation, and due diligence undertaken by FP on behalf of the original Fund that had considered the investment. FP undertakes a quarterly review process to determine if the original Fund of interest for a particular investment opportunity has changed or remains the same. In instances where the Fund of interest has changed, FP will allocate the expenses incurred in the quarter preceding the change to the new Fund of interest (subject to adjustment in the case of FP Credit as described below). If the potential investment opportunity is ultimately not consummated but had more than one Fund of interest during due diligence, FP will conduct an additional review to determine the fair allocation of expenses incurred. In the event the Funds of interest included the FP Credit Funds, FP will consider, among other factors and to the extent applicable, the type and extent of diligence normally undertaken for a potential investment by an equity fund as compared to a credit fund. The cost of the evaluation, investigation, and due diligence undertaken in considering an investment completed by one (or more) FP Fund(s) where such deal was previously considered by another FP Fund will generally be allocated to the FP Fund(s) making the investment. The cost of the evaluation, investigation, and due diligence undertaken in considering an investment completed by an FP Credit Fund where such deal was previously considered by an equity Fund will be allocated based on the facts and circumstances of the deal including, but not be limited to, the type and extent of diligence normally undertaken for an investment by a credit fund. The cost of the evaluation, investigation, and due diligence undertaken in considering the investment completed by multiple FP Funds will be allocated based on the pro rata cost basis of each Fund's investment. In the event there is a reallocation of expenses among Funds, the Fund that is ultimately allocated the expense typically will not pay interest on any such amounts reimbursed to the Fund that originally was allocated the expense.

As described above in Item 5, FP may receive fees in connection with its performance of Related Services. Such fees will be in addition to the management fee and the carried interest paid by such Fund. FP will determine the amount of these fees, if any, in its own discretion, subject to agreements with sellers, buyers, management teams, the boards of directors of or lenders to

portfolio companies, and/or third-party co-investors in its transactions. As a result of the Funds' controlling interests in portfolio companies, FP and/or its affiliates typically have the right to appoint portfolio company board members, or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members approve compensation and/or other amounts payable to FP and/or its affiliates. FP is not required by the Fund Documents to provide a Fund or its limited partners with information regarding the amounts of these fees, although such fees will be disclosed to the extent required and the amount of such fees are included with other expense items on the Fund's quarterly and annual financial statements.

Similar to fees earned in connection with Related Services, a portfolio company typically will reimburse FP, FPC or service providers retained at FP's discretion for expenses (including, without limitation, travel expenses) incurred by FP or such service providers in connection with its performance of services for such portfolio company. FP selects service providers and determines the amount of reimbursements for such services in good faith in its discretion; however, the amount of such reimbursements over time is expected to be substantial.

FP and its personnel have in the past received, and may, from time to time, in the future receive, certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of a Fund, including benefits and other discounts provided from service providers. For example, airline travel or hotel stays incurred as Fund expenses may result in "miles" or "points," rebates, or credit in loyalty/status programs to FP and/or its personnel. Such benefits, rewards and/or amounts (whether or not *de minimis* or difficult to value), will exclusively benefit FP and/or such personnel even though the cost of the underlying service is being borne by the Funds, its investors, and/or the portfolio companies. Any such benefits, rewards and/or amounts will not be subject to the offset arrangements described above in Item 5 or otherwise shared with such Fund, its investors, and/or the portfolio companies. In addition, airline travel incurred as a Fund expense for an FP personnel travelling for appropriate Fund-related purposes (including, without limitation, travel related to a portfolio company, a prospective portfolio company or other Fund-related matter) may benefit such FP personnel to the extent the trip also serves a personal purpose.

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

Investors have in the past or may from time to time in the future be introduced to FP, or may invest in a Fund, by a third party consultant from which FP or a related person purchases products and to which FP or a related person may make payments, including in connection with conferences sponsored or hosted by the third party consultant.

In addition, from time to time, FP may recruit a management team to pursue a new “platform” opportunity expected to lead to the formation of a future portfolio company, or to undertake a “build-up strategy” to acquire and develop assets in a particular sector or involving a particular strategy. In other instances, a new platform could be formed to recruit an existing or newly formed management team to build such platform through acquisitions and organic growth. In certain circumstances, such platform employees may include former employees of FP, or current or former senior advisors or consultants to FP and its affiliates. The structure of each platform and the engagement of personnel will vary, including whether a management team’s services are exclusive to the platform and whether the members of the management team are employed directly by the platform or indirectly through a separate management company established to manage such platform. Platform structures may change during the investments’ hold period, for instance, in connection with restructurings or dispositions. The management team of a platform investment may provide services with respect to other platform investments of more than one Fund, or provide the same or similar services for unaffiliated parties. The services provided by the platform management team could be similar to, and in some cases overlap with, the services provided by FP to the Funds. The Fund will bear the expenses of the management team or portfolio company, as the case may be, including any sourcing costs and management costs, overhead expenses, management or other fees, employee compensation (including cash compensation and profits-interest), diligence expenses or other related expenses in connection with backing the management team or the build out of the platform opportunity. Such expenses may be borne directly by the applicable Fund as Fund expenses or indirectly as the Fund bears the start-up and ongoing expenses of the newly formed platform portfolio company. Such costs and expenses will not offset the management fee and are in addition to management fees and other compensation (e.g., carried interest) received by FP.

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

### *Fee Structure*

Because the management fee is generally payable until final distribution of a Fund’s assets, FP has an incentive to defer the realization of investments when FP otherwise may not have done so. In addition, the valuation of partially realized or unrealized investments from time to time may be zero or close to zero. Because the management fee payable to FP is not generally based on the fair

value of an investment, in such instances the management fee paid with respect to such investment will be higher than if the management fee payable were based on the fair value of such investment or if the value of such investment were written down to zero.

As discussed above in Item 6, the General Partners of many Funds are entitled to carried interest under the terms of the relevant Fund Documents. Such General Partners are affiliates of FP. The existence of the General Partners' carried interest creates an incentive for the General Partners to cause such Funds to make more speculative investments than they would otherwise make in the absence of performance-based compensation. However, the investment made by FP or its affiliates in a Fund, the clawback (as defined below) obligation of the General Partner (as described below), and the fact that the preferred return is calculated on an aggregate basis reduces the incentive to make speculative investments or otherwise time the sale of an investment in a manner motivated by the personal benefit of FP's personnel.

Pursuant to the Fund Documents, the General Partner may be required to return excess amounts of carried interest as a "**clawback**." This clawback obligation may create an incentive for the General Partner to defer disposition of one or more investments or delay the liquidation of a Fund if the disposition and/or liquidation would result in a realized loss to the Fund or would otherwise result in a clawback situation for the General Partner.

In addition, the General Partner is incentivized to hold on to investments that have poor prospects for improvement in order to receive ongoing management fees in the interim and, potentially, a more likely or larger carried interest distribution if such asset's value appreciates in the future. This incentive is increased by the presence of the clawback obligation of the General Partner.

#### *Fund-Level Borrowing*

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

The Funds, from time to time, borrow funds or enter into other financing arrangements for various reasons, including to pay fund expenses, to pay management fees, organizational expenses, to make or facilitate new or follow-on investments (including borrowings pending receipt of capital contributions from investors), to make payments under hedging transactions, or to cover any shortfall resulting from an investor's default or exclusion. If a Fund borrows in lieu of calling capital to fund the acquisition of an investment, the borrowing would be used for all limited partners in such Fund on a pro rata basis, including the General Partner. The Funds will also utilize subscription facilities in a manner that will benefit co-investors and joint venture partners. For example, a Fund will borrow to fund an investment that may ultimately be syndicated to co-investors. Certain parties participating in an investment (including any co-investment party and/or joint venture partner) are not expected to bear their pro rata share of expenses relating to the subscription facility used for making an investment (including, without limitation, interests expenses, origination and other costs.) As a result, the Fund is expected to bear a disproportionate cost in connection with the extension of credit. In addition, because co-investment parties and the



General Partner are not expected to be parties to the subscription facility, the Fund will bear a disproportionate amount of the credit risk in incurring the debt on behalf of the other parties.

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

To the extent the Fund uses borrowed funds in advance or in lieu of capital contributions, the Fund's investors generally make correspondingly later capital contributions, but the Fund will bear the expense of interest on such borrowed funds. As a result, the Fund's use of borrowed funds will impact the calculation of net performance metrics (to the extent that they measure investor cash flows) and generally make net IRR calculations higher than they otherwise would be without Fund-level borrowing, as these calculations generally depend on the amount and timing of capital contributions. It is expected that the interest will accrue on any such outstanding borrowings at a lower rate than any preferred return, which will begin accruing when capital contributions to fund such investments, or repay borrowings used to fund such investments, are actually made to the relevant Fund. Thus, while the Fund will bear the expense of borrowed funds, such borrowings can also increase the carried interest received by the Fund's General Partner or will result in the Fund's General Partner receiving carried interest earlier than it would otherwise have by decreasing the amount of distributions from the Fund that are required to be made to Fund investors in satisfaction of any preferred return. The General Partner therefore has a conflict of interest in deciding whether to borrow funds because the General Partner may receive disproportionate benefits from such borrowings.

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

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

The use of Fund-level borrowings will differ based on available credit facility capacity and contractual terms applicable to each Fund and each such credit facility. Therefore, as the subscription credit facilities utilized by the Funds may have different terms, while the Funds may

be invested in the same investment, and while the valuation of such investment would be consistently determined pursuant to the relevant Fund Documents, the investment return can, in certain circumstances, differ among the Funds as a result.

### *FP Policies and Procedures*

Policies and procedures implemented by FP, from time to time, including as may be implemented in the future, to mitigate potential conflicts of interest and address certain regulatory, legal, and contractual requirements may reduce the positive synergies across FP's areas of operation or expertise that a Fund expects to draw on for purposes of pursuing attractive investment opportunities. Because FP has other activities beyond any one Fund, it is subject to a number of actual and potential conflicts of interest, additional regulatory considerations, and more legal and contractual restrictions than that to which it would otherwise be subject if it focused only on a Fund and/or if it did not pursue both private equity and debt investments. In addressing these conflicts and regulatory, legal, and contractual requirements across its various businesses, FP has implemented and may in the future implement certain policies and procedures that may reduce the positive synergies that a Fund expects to utilize for purposes of finding attractive investments. In that regard, it is possible that in the future FP may establish information barriers or other forms of separation between certain strategies or professionals, such as (without limitation) those who are primarily involved in trading marketable securities or liquid instruments or debt investments, on the one hand, and other professionals, such as those who are primarily involved in privately negotiated or illiquid investments, on the other hand, and in any such event it is possible that a Fund may not be able to avail itself of the full resources of FP. For example, the establishment of an information barrier may impact FP's ability to source deals for a Fund from other strategies that FP manages, and a Fund could be adversely affected as a result. There can be no assurance that walling off procedures can, nor will, be implemented efficiently or successfully in all cases.

### *Conflicts with Respect to Receipt of Confidential Information and Data*

Given the nature of FP's business and investment activity, FP routinely comes into possession of material nonpublic information. FP's Legal and Compliance Departments have a number of policies and procedures and practices in place to monitor for and prevent the misuse of material nonpublic information, for example, by regularly attending Deal Team, Equity IC, and Credit IC meetings, close involvement in the review of NDAs, and the general administration of FP's policies and procedures regarding its restricted list, which is a list of companies for which buying or selling securities is prohibited.

FP receives and generates various kinds of portfolio company data and other information, including related to, or created in connection with, financial, industry, market, business operations, trends, budgets, customers, suppliers, competitors, ESG and other metrics and data, financial information, commercial and transactional information, user data, cost data, related data or information and/or data analytics, some of which is sometimes referred to as "big data." This information may, in certain instances, include confidential and/or sensitive information received or generated in connection with efforts on behalf of one Fund's investment (or prospective investment) in a portfolio company. FP also intends to utilize such data for purposes of identifying new investments opportunities for the Funds. Information from a portfolio company owned by a

Fund may enable FP to better understand a particular industry and develop and execute investment strategies in reliance on that understanding for FP and other Funds that do not own an interest in such portfolio company, without compensation or benefit to such Fund or its portfolio companies. Further, data is expected to be aggregated across the Funds and their respective portfolio companies and, in connection therewith, FP is expected to serve as the repository for such data, including with ownership, use, and distribution rights therein. FP may also share data from a portfolio company of one Fund with a portfolio company of another Fund or with portfolio companies within the same Fund, which may create a competitive disadvantage for, and indirectly harm, such portfolio company. Portfolio companies may incur incremental expenses in collecting and organizing information requested or required to be furnished to FP (which expenses are indirectly borne by the Funds). Under certain circumstances, FP will, from time to time, enter into formal or informal arrangements with portfolio companies or affiliates to facilitate the sharing of data and/or data analytics. Subject to applicable legal, regulatory, and contractual requirements, these information sharing arrangements are designed to allow FP, the Funds, and the Funds' portfolio companies to better discern economic or other trends and developments. FP believes that all Funds benefit from these arrangements in ways that would be impossible without the ability to aggregate data from across FP's businesses and the Funds' portfolio companies. However, information sharing may involve conflicts of interest between the Funds and/or between the Funds and FP. FP may, from time to time, use this information in a manner that may provide a material benefit to FP, its affiliates, or to certain other Funds without compensating or otherwise benefitting the source from which such information was obtained (including the Funds). In addition, FP may have an incentive to pursue investments in portfolio companies based on the data and information expected to be received or generated. Furthermore, except for (a) contractual obligations to third parties to maintain confidentiality of certain information or otherwise limit the scope and purpose of its use or distribution, (b) policies, practices and procedures designed to ensure confidentiality of trade secrets and (c) compliance with applicable data privacy laws, laws prohibiting insider trading, anti-competition laws and laws protecting national security interests, FP is generally free to use data and information from a Fund's activities in its sole discretion for the benefit of FP and other Funds. The sharing and use of "big data" and other information present potential conflicts of interest and any benefits received by FP or its personnel will not be subject to the management fee offset provisions or otherwise shared with a Fund or its investors. It is difficult, if not impossible, to measure exactly the benefits any particular entity receives from these kinds of arrangements, or to provide specific and direct monetary compensation for such information. In addition, FP and its affiliates may utilize such data outside of Fund activities in a manner that may provide a material benefit to FP, without directly compensating or otherwise benefitting the Funds. As a result, FP may have an incentive to pursue investments (on its own behalf or on behalf of the Funds) based on the data that may be accessible as a result of owning such investments, and/or to utilize such data in a manner that benefits FP and/or investments held by other Funds.

In addition, FP or an affiliate may actively pursue one or more investment strategies, and may in the future consider new strategies. When FP or an affiliate engages in any such practice, FP or an affiliate is expected to encounter conflicts of interest between the multiple investment strategies. Such conflicts include, but are not limited to, that any FP investment strategy may come into possession of proprietary or confidential information, the receipt of which could limit the ability of other strategies to engage in potential transactions. For example, strategies in receipt of proprietary or confidential information could be restricted from investing or trading as a result,

including because of the use of restrictions under non-disclosure agreements, being in possession of material nonpublic information, or otherwise. Additionally, there may be circumstances in which one or more individuals associated with FP will be precluded from providing services to a General Partner or FP because of certain confidential information available to those individuals or to other parts of FP. A Fund's activities may be constrained as a result of these conflicts of interest, including, but not limited to, the constraints such information may impose on FP's personnel and their freedom of action. FP will not be under any obligation to decline any engagements or investments in order to make an investment opportunity available to a Fund, and a Fund's ability to engage in transactions may be affected as a result of relationships that FP may or may not have or transactions or investments FP and its Funds or affiliates may make or have made in relation to such investment strategies.

### *Allocation of Investment Opportunities*

As described in the relevant Fund Documents and below, personnel and related persons of FP may be faced with conflicts of interest in determining how much, if any, of certain investment opportunities (including follow-on investments) to offer to an FP Fund. FP's allocation policies and procedures are intended to align FP's investment allocation practices with its contractual obligations and fiduciary duties to its Funds and investors, and to address the potential conflicts of interest associated with investment allocations within and across FP Funds.

It is FP's policy to allocate investment opportunities among Funds in a fair and equitable manner consistent with its fiduciary obligations, the Funds' investment strategy, objectives, and Fund Documents, and in alignment with its allocation policies and procedures. To that end, FP has an Allocation Committee consisting of the Firm's CEO, CIO, COO, CCO, and Investor Relations Partner, which is tasked with reviewing and approving the allocation recommendation of the Equity IC or Credit IC, as applicable.

FP's allocation of investment opportunities among the Funds, affiliates, and third parties and in the manner discussed herein may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to others. While FP will allocate investment opportunities in a manner that it believes in good faith is fair and equitable to the Funds under the circumstances over time and considering relevant factors, there can be no assurance that an actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the conflicts of interest to which FP may be subject, discussed herein, did not exist. The factors below may also be the basis for why an investment is not allocated to a particular Fund, despite it being an eligible investment for such Fund, and for determining the amount of an allocation a particular Fund receives. FP is not required to, and does not, consider all of the factors described below in any particular investment, and some factors may be more or less important depending upon the nature of the particular investment opportunity and attendant circumstances.

FP generally will allocate investment opportunities in accordance with its allocation policies and procedures and Fund Documents based on each Fund's investment strategy and scope under the respective Fund Documents, among other relevant factors, which also include, in no order of importance or priority, each Fund's investment objectives and focus; each Fund's liquidity and

reserves; timing of the investment period of the applicable Fund, including a ramp-up or wind-down period; each Fund's contractual requirements regarding eligible investments, including, but not limited to, asset class restrictions and investment size restrictions; each Fund's portfolio composition and each Fund's investment concentration parameters; amount of capital available for investment by each Fund as well as each Fund's projected future capacity for investment (including whether a Fund is able to invest all capital required to consummate a particular investment opportunity) and anticipated co-investment (if any); potential future capital needs for the portfolio investment, including, without limitation, potential for follow-on investments; transaction sourcing, including potential limitations of contractual counterparty relationships; lender covenants and other limitations; the size, stage of development and anticipated holding period of the prospective portfolio investment; historical and anticipated redemption/withdrawal/repurchase requirements and anticipated future contributions/subscriptions; the suitability as a follow-on investment for a current portfolio investment of a Fund; the use of leverage in the proposed capital structure; timing expected necessary to execute an investment; when a pro rata allocation could result in de minimis or odd lot allocations; cash flow and invested capital recycling considerations; industry and other allocation targets; legal, tax, accounting, contractual or regulatory constraints; changes to Fund investment mandates; structural and operational differences between the Funds; seniority of an investment and other capital structuring criteria; whether an investment opportunity would enable a Fund to qualify for certain programmatic benefits or discounts that are not readily available to other Funds; the ability to succeed in a competitive process for a specific target; and any other relevant limitations imposed by or conditions set forth in the Fund Documents or deemed relevant by FP in good faith.

In certain cases, a Fund will invest alongside other Funds, the General Partners of other Funds and certain related persons on the basis described in the Funds' Fund Documents. In addition, an eligible investment opportunity for a particular Fund will, under certain circumstances, be allocated to other Funds. The investment policies, fee arrangements, carried interest, investments owned by FP personnel with respect to a Fund, and other circumstances of the Fund, generally vary from those with respect to other Funds. Personnel and related persons of FP have, and are expected to continue to have, capital investments in certain Funds and therefore may have additional conflicting interests in connection with such investments. These relationships also may present conflicts of interest in determining how much, if any, of certain investment opportunities to offer to a Fund. For example, additional conflicts could arise to the extent FP and/or its affiliates, or FP personnel, hold an outsized economic position in any of the participating Funds. In such cases, FP could be incentivized to manage such arrangements in a manner that would enhance the returns of the Funds in which FP and/or its related parties hold a substantial portion of the equity, even to the detriment of other Funds. Investments by more than one FP Fund in a portfolio company may also raise the risk of using assets of one FP Fund to support positions taken by other FP Funds. There can be no assurance that any Fund's return from a transaction will be equal to and not less than another Fund participating in the same transaction or that it will be as favorable as it would have been had such conflict not existed.

When FP is presented with an investment opportunity that is suitable for more than one Fund, FP will follow its allocation policies and procedures and the Fund Documents of the affected Funds, which generally set forth terms with respect to the allocation of investment opportunities. In most

cases, (other than certain FP Credit Funds), a successor Fund (as such term is described in the respective Fund Document) does not commence making investments in new portfolio companies until its predecessor Fund has ceased making such new investments. If, however, the Firm determines it is appropriate to allocate a portion of an investment opportunity to a predecessor Fund or successor Fund after consideration of the relevant circumstances (because, for example, a predecessor Fund has remaining available commitments), it may do so in accordance with FP's policies and procedures and the applicable Fund Documents.

However, from time to time, multiple Funds will seek to make new investments concurrently, and investment opportunities may arise that are appropriate for more than one Fund. In determining which Funds and investment vehicles should participate in such investment opportunities, FP and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. FP attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by FP's advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among such entities in a fair and equitable manner.

For example, FP generally would allocate a lower-middle market technology company opportunity requiring an investment below a certain dollar threshold to a Fund with a specific investment strategy and scope that focuses primarily on such investments, rather than to other Funds that focus primarily on larger investments; however, such other Funds are not precluded from making smaller investments if doing so in accordance with FP's allocation policies and procedures and the relevant Fund Documents. Similarly, FP generally would allocate a credit investment opportunity that does not involve control of a portfolio company to an FP Credit Fund rather than to other Funds that focus on control-oriented equity investments. However, FP retains discretion to allocate all or a portion of a non-control investment to another Fund or account managed by FP that does not invest primarily in credit investments. For example, from time to time, an FP Equity Fund will make investments in non-control investments that are also relevant for an FP Credit Fund. Furthermore, the decision as to whether a Fund or any other Fund or account managed by FP should make a particular follow-on investment, or whether the follow-on investment will be shared in the same proportion as the original investment, may differ from the decision regarding the initial purchase due to a changed determination on this issue by FP. For example, due to FP's application of the allocation methodology described above, it is possible that a Fund will participate in one or more follow-on investment opportunities related to any FP accounts that have an investment mandate substantially similar to or overlapping with those of a Fund.

FP, in its sole discretion, may allocate the same investment opportunity, which may include a review by the Advisory Boards of the applicable Funds, to multiple Funds. The Firm will not allocate investment opportunities based, in whole or in part, on: (i) the relative fee structure or amount of fees paid by any Fund; or (ii) the profitability of any Fund. While FP determines how to allocate investment opportunities using its best judgment, considering such factors as it deems relevant, but in its sole discretion, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made will be as favorable as they would be if the conflicts of interest to which FP is subject, discussed herein, did not exist. There can be no assurance that a Fund will participate in all investment opportunities that fall within its investment objectives.

FP and the General Partner of the relevant Fund have formed Parallel Funds to facilitate, from a legal, tax or regulatory standpoint, investments by certain foreign or other classes of investors, the structure and terms of which may differ from that of the Funds, but will invest proportionately in all transactions on effectively the same terms and conditions as the Funds.

Specifically with respect to FP Credit, it is anticipated that the investment period of an FP Credit Successor Fund may overlap with that of its predecessor for a period of time spanning multiple investment opportunities. During such time (*i.e.*, until the expiration of the investment period of the predecessor FP Credit Fund), FP may allocate investment opportunities among the FP Credit Successor Fund and the predecessor FP Credit Fund in a manner it determines to be Fair and Equitable. In making such determination, FP will take into account the allocation factors described above as well as the following additional considerations: the intention of fully deploying capital commitments of the predecessor FP Credit Fund and fully recycling capital to the extent permitted by the terms thereof (subject, in each case, to reserves for fees, expenses, contractual obligations (including potential collateral requirements) and other commitments), as determined in good faith by FP; liquidity considerations in light of the proximity to the end of a specific FP Credit Fund's investment period or term, any redemption/withdrawal requests, anticipated future contributions, and available cash/callable capital; planned use of available leverage or near-term expected cash inflows (*e.g.*, from investment repayments); funding obligations, committed investments, reserves for amounts necessary to satisfy upcoming redemptions, incentive fees, management fees, and other expenses; the anticipated maturity of the contemplated investment/loan (including both the legal maturity date and the anticipated actual repayment timeframe) relative to the applicable FP Credit Fund's term and/or investment period; the desire to re-size risk in the applicable FP Credit Fund's portfolio (including the potential for the proposed investment to create an industry, sector or issuer imbalance); and with respect to investments that are made available to FP by counterparties pursuant to negotiated trading platforms (*e.g.*, ISDA contracts), the absence of such relationships with one or more FP Credit Funds may result in the investment not being available for such Fund(s).

Additionally, since the overall construction of the portfolios of the FP Equity Funds and FP Credit Funds will differ due to their distinct investment objectives, guidelines, and/or investment periods, there may be times when the FP Equity Funds and FP Credit Funds do not divest from the same investment at the same time or under the same terms. Lastly, given the dynamic nature of liquid credit investments as well as the specific guidelines and investment parameters for the FP Equity Funds and the FP Credit Funds, pro rata allocations are not always appropriate.

In addition, to the extent FP has discretion over a secondary transfer of interests in a Fund pursuant to the Fund Documents or is asked to identify potential purchasers in a secondary transfer, FP will do so in its sole discretion, generally taking into account the following factors: evaluation of the financial resources of the potential purchaser, including its ability to meet capital contribution obligations; perception of its past experiences and relationships with the potential purchaser, including its belief that the potential purchaser would help establish, recognize, strengthen, and/or cultivate relationships that may provide indirectly longer-term benefits to current or future Funds and/or FP and the expected amount of negotiations required in connection with a potential purchaser's investment; whether the potential purchaser would subject FP, the applicable Fund, or

their affiliates to legal, regulatory, reporting, public relations, media or other burdens; a potential purchaser's investment into another Fund (including any commitment into a future Fund); requirements in the Fund Documents; and such other facts as it deems appropriate under the circumstances in exercising such discretion.

### *Conflicts Relating to Purchases and Sales of Investments*

Subject to the Fund Documents, each Fund reserves the right to make independent decisions regarding recommendations of when a Fund should purchase and sell investments. Conflicts may arise when a Fund makes investments in conjunction with an investment being made by another Fund, or in a transaction in which another Fund has already made an investment. A Fund may not, for example, invest through the same investment vehicles or have the same access to credit or investment strategies as other Funds. Occasionally, this 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 co-investor will exit such investment at the same time or on the same terms.

As neither FP nor any of its affiliates is registered as a broker-dealer, FP does not engage in agency cross transactions where one Fund purchases or sells any security for its account from or to the account of another Fund. FP does not anticipate entering into principal transactions where FP or any of its affiliates purchases or sells any security for its own accounts from or to the accounts of any Fund. In the event that the Firm causes the Funds to enter into any cross transactions, any required approvals, including that of the applicable Fund's Advisory Board (as may be required), will be obtained in accordance with the terms of the applicable Fund Document and any applicable regulatory requirements (e.g., Section 206(3) of the Advisers Act).

Funds, from time to time, invest in conjunction with an investment being made by other Funds or in a transaction where another Fund has already made an investment. Conflicts may arise in connection with such investments. Investment opportunities are, from time to time, appropriate for more than one Fund at the same or different or overlapping levels of a portfolio company's capital structure. A Fund will under certain circumstances invest directly or indirectly in companies or other entities in which other Funds or accounts managed by FP have or are currently making a different principal investment (including with respect to relative seniority) or vice versa. Conflicts arise in determining the terms of investments, particularly where these Funds or accounts managed by FP may invest in different types of securities in a single portfolio company. For example, (i) if a Fund makes or has an debt investment in a portfolio company in which another Fund has a debt or equity investment, (ii) if a Fund and other Funds or accounts managed by FP participate in separate tranches of debt or other securities with respect to the same portfolio company, (iii) if a portfolio company in which the Fund has an debt investment and in which another Fund or account managed by FP has an equity investment becomes distressed or defaults on its obligations under the debt investment or (iv) if any other Fund or account managed by FP, through the purchase of debt obligations or otherwise, becomes a lender to a portfolio company in which a Fund has a debt or equity investment, FP will, in each case, generally have conflicting loyalties between the duties to such Fund and to such other Fund or account managed by FP. In that regard, actions may be taken for the other FP Fund or future FP Fund that are adverse to such Fund or vice versa. Questions arise as to whether payment obligations and covenants should be enforced, modified or waived, whether payments should be accelerated or whether debt should be refinanced. Decisions



about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, the terms of any work-out or restructuring or other concessions that may be given in such a situation raise conflicts of interest, and FP may be incentivized to choose a course of action that benefits one Fund to the detriment of another Fund. In the event that one Fund has a controlling or significantly influential position in a portfolio company, it will have the ability to elect some or all of the board of directors of such a portfolio company, thereby controlling the policies and operations, including the appointment of management, future issuances of securities, payment of dividends, incurrence of debt, and entering into extraordinary transactions. In addition, a controlling Fund is likely to have the ability to determine, or influence, the outcome of operational matters and to cause, or prevent, a change in control of such a company. Such management and operational decisions may, at times, be in direct conflict with other Funds and/or clients of FP's affiliates that have invested in the same portfolio company that do not have the same level of control or influence over the portfolio company. Given the nature of these conflicts, there can be no assurance that the resolution of these conflicts will be beneficial to the Funds.

Investments to finance follow-on acquisitions are a regular part of the business of the Funds. Follow-on investments may present conflicts of interest, including determination of the equity component and other terms of the new financing. In addition, a Fund may participate in re-leveraging and recapitalization transactions involving portfolio companies in which other Funds have invested or may invest. Recapitalization transactions may present conflicts of interest, including determinations of whether existing investors are selling at a price that is higher or lower than market value and whether new investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms, and determining the desirability of leverage for the applicable portfolio company. FP will address all such conflicts using its best judgment, but in its sole discretion, subject, in certain cases, to approval by the respective Advisory Boards.

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

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

selling and/or purchasing such an investment; or (ii) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment). FP and its affiliates receive management or other fees in connection with their management of the relevant Funds involved in such a transaction, and generally are entitled to share in the investment profits of the relevant Funds.

To address these conflicts of interest, in connection with effecting any such transactions, FP follows the requirements set forth in the Fund Documents. To the extent not addressed in a Fund's Fund Documents, FP will address conflicts of interest that arise in connection with continuation transactions as set forth below. There can be no assurance that any such conflicts can be resolved in a manner that is beneficial to each Fund or portfolio company nor is there any assurance that such transaction will be equally or similarly profitable or advantageous to each participating Fund.

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

There may be differences in timing of entry into, or exit from, a portfolio company for reasons such as differences in strategy, existing portfolio or liquidity needs. Also, where more than one FP Fund (or its affiliates) invests in the same portfolio company, there can be no assurance that such parties will dispose of investments at the same time or on the same terms. Investments disposed of at different times will likely be disposed of at different valuations and, as a result, each Fund may realize different returns as compared to the same investment held by another Fund. These variations in timing may be detrimental to a Fund's performance. At the same time, if FP determines it is advisable for a Fund to exit an investment at the same time as another FP Fund (or its affiliates), the term of which may expire sooner than the former Fund's, such Fund may dispose of its interest earlier than it ordinarily would have and may, as a result, experience lower returns than it otherwise may have earned on such investment. In addition, investors may receive different consideration (for instance, investors in one Fund may receive cash whereas investors in another Fund may be provided the opportunity to receive distributions in-kind), which may impact the realized return ultimately received by each Fund.

Finally, in certain circumstances, if more than one Fund is participating in an investment, one Fund may bear more than its pro rata share of expenses relating to such investment if the other Fund(s) does not have the resources to bear such expenses (including, for instance, as a result of insufficient reserves and/or the inability to call capital to cover such expenses).

In such circumstances described above, FP could take steps to reduce the potential conflicts of interest between the various Funds, including causing a Fund to take certain actions that, in the absence of such conflict, it would not take (e.g., a Fund may divest itself of an asset it otherwise may have retained, may establish information barriers, certain matters may be referred to an advisory committee or a third party, or a Fund may only invest in securities that seek to align the interests with other investing Funds). Any such steps could have the effect of benefitting one Fund or FP at the expense of another Fund.

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

From time to time, FP will, in its discretion, enter into transactions with investors in one or more Funds, prospective investors, co-investors, personnel, business associates, and other "friends and family" of FP, its affiliates or their personnel, or third parties to dispose of all or a portion of certain investments held by one or more Funds. In exercising its discretion to select the purchaser(s) of such investments, FP will comply with the requirements set forth in the Fund Documents of the applicable Fund(s), or to the extent not addressed in the Fund Documents of the applicable Fund(s), FP may consider some or all of the factors it deems to be relevant. The sales price for such transactions will be mutually agreed to by FP and such purchaser(s); however, determinations of sales prices involve a significant degree of judgment by FP. Although FP is not obligated to solicit competitive bids for such sales transactions or to seek the highest available price, it will first determine that such transactions are in the best interests of the applicable Fund(s), taking into account the sales price and the other terms and conditions of the transaction. There can be no assurance, in light of the performance of the investment following such a transaction, that such transaction will ultimately prove to be the most profitable or advantageous course of action for the applicable Fund(s). Any such transactions will comply with the Fund Document of the applicable Fund(s).

The Funds will, from time to time, enter into equity commitment arrangements whereby, subject to any applicable documentation, a Fund agrees that upon the closing of a transaction with respect to a potential portfolio company, it will purchase equity securities in a transaction. Furthermore, in certain instances, the Funds will also enter into: (a) limited guarantee arrangements whereby, subject to any applicable documentation, a Fund agrees that if a transaction with respect to a potential portfolio company is not consummated, it will pay a percentage of the total value of the transaction or a fixed amount as a "**reverse termination fee**" to the seller entity; or (b) full guarantee arrangements where a Fund agrees to close a transaction even if the debt financing for such transaction is not available or has not been funded. While certain co-investment vehicles with investments contractually tied to the Fund are generally obligated to pay their proportionate share of the equity purchase price (whether pursuant to the applicable Funds' Fund Documents or otherwise), such co-investment vehicles may not be direct parties to the equity commitment arrangements or guarantees and, in any event, are not obligated to pay their proportionate share of any reverse termination fee. In such a case, in the unlikely event that a co-investment vehicle defaults on an arrangement with the Fund to pay its proportionate share of the equity purchase

price (if any) or such an arrangement does not exist, the Fund could be held responsible for the entire equity purchase price or obligations.

As discussed below in this Item 11, the Funds, from time to time, co-invest with third parties through partnerships, joint ventures or other similar entities or arrangements. These investments may involve risks and conflicts that would not otherwise be present in investments where a third party is not involved. Such risks include, among other things, the possibility that the third party may have differing economic or business goals than those of the Fund, or that the third party may be in a position to take actions that are inconsistent with the investment objectives of the Funds. There may also be instances where the Funds will be liable for the actions of such third-party co-investors. There can be no assurance that the return of a Fund participating in a transaction with a third party would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

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

FP, its affiliates, and their partners, officers, principals, and personnel may buy or sell securities or other instruments that FP has recommended to Funds. Officers, principals, and personnel of FP may also buy securities in transactions offered to but rejected by the Funds. A conflict of interest may arise because such investing FP personnel will, for some investments, benefit from the evaluation, investigation, and due diligence undertaken by FP on behalf of the Funds. In such circumstances, the investing FP personnel will share with or reimburse the relevant Fund(s) and/or FP for any expenses incurred in connection with the investment opportunity in such amounts as determined by FP in its sole discretion.

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

#### *Continuation Transactions*

From time to time, FP may determine that it is in the best interest of a Fund holding an investment (the “selling Fund”) to transact with another Fund (the “purchasing Fund”) in order to provide the selling Fund’s investors with an option to either: (1) receive cash proceeds from the selling Fund’s sale or transfer of a portfolio company and/or (2) “roll” (*i.e.*, retain) their interest in such portfolio company. These types of transactions are often referred to as “continuation transactions.” In connection with such continuation transactions, FP may require the investors in the purchasing Fund to make an additional investment in a Fund or commit to invest in a future Fund. In addition to those conflicts of interest described above under “*Conflicts Relating to Purchases and Sales of Investments*,” conflicts of interest arise in these continuation transactions because, typically: (i) FP

and its affiliates would be charging investors in the purchasing Fund a management fee and carried interest (which economics are likely to be different than the selling Fund) and the transactions would have the potential to result in the receipt of additional management fees and carried interest by FP and its affiliates; (ii) FP and FP's employees would be expected to have the ability to make material investments in the purchasing Fund, which may cause them to take actions that benefit the purchasing Fund; (iii) FP would be actively involved in negotiating the terms of the sale on behalf of the selling Fund, on the one hand, and the purchasing Fund, on the other hand (including allocation of expenses incurred in the continuation transaction); and/or (iv) of the requirement for an investor in the purchasing Fund to make an investment in a Fund or a commitment to invest in a future Fund, which (a) incentivizes FP to favor such investors because of the potential for FP and its affiliates to earn additional management fees with respect to any such investment or commitment to invest, and (b) could affect the price such investors offer to purchase the asset from the selling Fund. Additionally, conflicts of interest arise in continuation transactions as a result of the allocation of fees and expenses, because fees and expenses will be incurred in connection with the continuation transaction, and FP might determine to allocate certain fees and expenses solely to selling investors and not to the "rolling investors" or "new investors" in the purchasing Fund or vice versa.

In addition, continuation transactions can raise conflicts of interest associated with the allocation of investment opportunities. In continuation transactions whereby investors participating in the continuation transaction are given priority rights to roll over their existing interests or otherwise reinvest in an investment opportunity, other Funds and their investors may not be allocated all or any portion of such an investment opportunity, even if such opportunity falls within a Fund's investment objectives or strategy.

To the extent not addressed in a Fund's Fund Documents, FP will address conflicts of interest that arise in connection with continuation transactions as set forth above under "*Conflicts Relating to Purchases and Sales of Investments*."

### *Co-Investment Opportunities*

FP generally will allocate co-investment opportunities to applicable Funds whose investment objectives are consistent with the applicable investment up to an amount of the transaction deemed prudent by their respective General Partners, taking into account conflicts provisions in the relevant Fund Documents, investment and operating guidelines, diversification limitations, tax and regulatory considerations, minimum dollar limits, and other relevant factors, including risk. FP's procedures permit it to take into consideration a variety of factors when making co-investment and Co-Invest Party determinations, including but not limited to those discussed herein.

If FP determines for a Fund to reduce its exposure to a specific investment opportunity, or if FP determines it is prudent to include one or more third parties in an investment opportunity, or if an attractive investment opportunity exceeds certain thresholds of committed capital for a particular Fund, FP can allocate the investment among other FP Funds as well as limited partners, persons associated with FP, FP accounts, other private fund sponsors, consultants (including members of FPC), service providers, finders, market participants, corporates, strategic partners or advisors, other single investor vehicles or other third parties with which FP may have a relationship ("Co-

**Invest Parties**”), in accordance with the relevant Fund Documents, including Side Letters, and its allocation and co-investment policies and procedures. There may be circumstances where an amount that could have otherwise been invested by a particular Fund is instead allocated to one or more Co-Invest Parties. The Funds may co-invest through partnerships, joint ventures or other entities with Co-Invest Parties that may have economic or business interests or objectives that are different than or conflict with those of the Funds.

The size of an investment alone (including a specific position size or in context to vintage) is not determinative as to whether FP offers a co-investment opportunity, or the amount of such an opportunity for co-investment. Each situation is taken in context to portfolio risk or deal risk, including, but not limited to: an attractive investment opportunity exceeds certain thresholds of committed capital for a Fund; position size of the proposed investment (including whether an opportunity exceeds certain thresholds of committed capital of a Fund); vintage risk within the applicable Fund’s portfolio; end-market considerations (including portfolio concentration of a Fund); potential future capital needs for the portfolio investment, including, without limitation, potential for add-on acquisitions; ability of a Co-Invest Party to add value to the investment by virtue of sector, geographical or other knowledge/expertise; amount of capital deployed across the applicable Fund and all FP Funds that year; likelihood to complete other deals throughout the remainder of the year; desire to retain capital to be available for future development in light of the limitations imposed by a Fund’s Fund Documents; whether FP determines it could be beneficial to the investment opportunity, the Fund, and/or FP (including potential strategic benefits to, or establishing, recognizing, strengthening or cultivating relationships that have the potential to provide other benefits to, FP, other FP Funds, and/or the portfolio company); whether the potential Co-Invest Party will make commitments to invest in other Funds (including concurrently with the applicable co-investment); and any other considerations deemed relevant by FP in good faith. FP expects that these factors will lead FP to favor some potential Co-Invest Parties over others with respect to the frequency with which FP offers them co-investment opportunities. FP also expects to allocate certain Co-Invest Parties a greater proportion of an investment opportunity than others as a result of these factors.

Any excess amount of co-investment opportunities over that which is allocated to the applicable Funds generally will be allocated to certain Co-Invest Parties, some or all of which may have a relationship with FP. Participation in co-investment opportunities is limited to Co-Invest Parties with such knowledge and experience in financial and business matters necessary to make them capable of evaluating the merits and risks of the prospective investment. The relevant Fund’s General Partner will determine, in its sole discretion, whether a Co-Invest Party is eligible to participate in any co-investment opportunity and may consider some or all of a wide range of factors, which may include its own interests and/or: whether or not the potential Co-Invest Party can be helpful to the investment including (i) the expertise, knowledge and sophistication of the potential Co-Invest Party with respect to the issuer, segment, industry, geographic region or other characteristics that are relevant to the applicable investment, (ii) whether the prospective co-investor is considered “strategic” to the investment because it is able to offer FP or any Funds and/or entities which it manages certain services or benefits, including, but not limited to, the ability to help consummate the investment and the ability to aid in operating or monitoring the investment, and (iii) the services provided by the potential Co-Invest Party to the issuer of the investment (or otherwise provided by the potential Co-Invest Party with respect to the investment);

whether or not the potential Co-Invest Party is a current or previous investor in an FP Fund, or may be an investor in a future FP Fund, including the size and/or timing of the potential Co-Invest Party's commitment to any Fund or account managed by FP; the size of the potential Co-Invest Party's possible or requested commitment and its ability to invest an amount of capital that is consistent with the needs of the investment, taking into account the amount of capital reasonably expected to be needed (including for potential add-on acquisitions and other potential additional investments) and the maximum number of investors that can realistically participate in the transaction; the size of the investment allocation available to the applicable Fund (and not being allocated to any other Funds or accounts managed by FP) and the practicality of splitting the allocation into smaller tranches; whether or not the potential Co-Invest Party can approve the applicable investment pursuant to any applicable internal approval process (including (i) the predictability of the potential Co-Invest Party's investment process, (ii) whether the potential Co-Invest Party has any known investment policies and restrictions, guideline limitations or investment objectives that are relevant to the transaction, including the need for early or recurring distributions, and (iii) the potential Co-Invest Party's ability to complete its diligence prior to the closing of the applicable investment); whether or not the potential Co-Invest Party can successfully and efficiently execute the applicable investment, in a timely manner with respect to the timeframe in which FP believes favorable transaction terms may be achieved based on its history of consummating co-investment opportunities, and whether the potential Co-Invest Party has the financial and operational resources and other relevant wherewithal to evaluate and participate in a co-investment opportunity; whether or not the potential Co-Invest Party is easy for FP to deal with or if it will be a hindrance to the overall investment process, including (i) FP's perception of whether the investment opportunity may subject the potential Co-Invest Party to legal, regulatory, reporting or other burdens that make it less likely that the potential Co-Invest Party would act upon the investment opportunity if offered or would impair FP's ability to execute the relevant transaction in the desired time or on desired terms and (ii) the likelihood that the potential Co-Invest Party would require governance rights (including, but not limited to, board or observer rights, access to the management team of the underlying portfolio company or material information rights) that would complicate or jeopardize the transaction (or, alternatively, where the potential Co-Invest Party would be willing to defer to FP and assume a more passive role in governing the investment); whether or not the potential Co-Invest Party has participated in co-investments before and the extent to which such potential Co-Invest Party has previously been provided a greater amount of co-investment opportunities relative to other potential Co-Invest Parties; whether or not the potential Co-Invest Party has expressed an interest in evaluating co-investment opportunities, including the perceived degree of that interest; whether FP believes that allocating investment opportunities to a potential Co-Invest Party will help establish, recognize, strengthen and/or cultivate relationships (including formal or informal strategic relationships) that have the potential to provide longer-term benefits to FP or any Funds which it manages; any tax, regulatory, securities laws, and/or other legal considerations with respect to the potential Co-Invest Party (*e.g.*, qualified purchaser or qualified institutional buyer status); confidentiality concerns that may arise in connection with providing the potential Co-Invest Party with specific information relating to the investment opportunity; any requirements of any third-party lenders as to the identity of any investors participating as a Co-Invest Party, or as to the creditworthiness of any potential Co-Invest Party, or as to the number of Co-Invest Parties, or as to other matters with respect to the investors in the transaction; whether the potential Co-Invest Party has any interests in any competitor of the underlying investment; the expected investment holding period; the services provided by the

potential Co-Invest Party to the issuer of the investment (or otherwise provided by the potential Co-Invest Party with respect to the investment); the ability of a potential Co-Invest Party to hold investments for longer periods of time (or indefinitely); the size of the potential Co-Invest Party's interest to be held in the underlying portfolio company as a result of the investment of another Fund managed by FP (which is likely to be based on the size of the potential Co-Invest Party's capital commitment and/or investment in such entity); whether the potential Co-Invest Party is likely to pay management fees and/or carried interest; whether the co-investment opportunity is being provided in connection with a potential investment in or acquisition of interests through a secondary transfer of the Funds (*i.e.*, a stapled co-investment opportunity); and other factors relevant to FP. The factors above are not listed in order of importance or priority and FP is not required to, and does not, consider all of the factors described above in any particular investment, and some factors may be more or less important depending upon the nature of the particular co-investment opportunity and attendant circumstances. These co-investment or syndication activities may present conflicts of interest in determining how much of certain investment opportunities will be offered to a Fund. See Item 6 above for a discussion of side-by-side management.

In addition, co-investment vehicles will, from time to time, be formed to make investments alongside a Fund. In such cases, the co-investment vehicle may be provided a priority right to make co-investments in some or all of the investments made by such Fund. The existence of such a priority right may significantly reduce or eliminate co-investment opportunities available to other potential Co-Invest Parties.

Furthermore, decisions regarding whether and to whom to offer co-investment opportunities will be made by FP or its related persons in consultation with other participants in the relevant transactions, such as a co-sponsor. In general: (i) no investor in a Fund (including those that have established dedicated co-investment vehicles) has a right to participate in any co-investment opportunity and investing in a Fund does not give an investor any rights, entitlements or priority to co-investment opportunities; (ii) co-investment opportunities typically will be offered to some, and not other, FP investors, in the sole discretion of FP or its related persons, and investors will often be offered a smaller amount of co-investment opportunities than originally requested and not all investors will be offered the same number of co-investment opportunities as other investors in the same Fund (including those with the same, larger or smaller capital commitments to such Fund); and (iii) certain persons other than investors in the Funds (*e.g.*, other Funds managed by FP, consultants, joint venture partners, persons associated with a portfolio company, and other third parties, including persons who FP believes will provide a benefit to a Fund and/or one or more portfolio companies or who provide a strategic sourcing or similar benefit to FP, a Fund, and/or a portfolio company and one or more of their respective affiliates, due to industry or regulatory expertise or otherwise), rather than one or more investors in a Fund, will, from time to time, be offered co-investment opportunities, in the sole discretion of FP or its related persons. Additionally, non-binding acknowledgements of interest in co-investment opportunities do not require FP to notify the recipients of such acknowledgements if there is a co-investment opportunity. However, FP, from time to time, agrees to give particular investors, Funds or other third parties priority access to co-investment opportunities. The existence of such priority or other contractual co-investment access rights could affect FP's decision to offer certain opportunities for



co-investment and could limit the ability of Funds or their investors to be offered certain co-investment opportunities.

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

### *Service Providers*

FP and/or its affiliates engage certain service providers to provide services to FP, the Funds and/or the portfolio companies, including services during the due diligence and acquisition process. Such service providers or their affiliates are, in certain circumstances, investors in a Fund or affiliates of such investors and may include, for example, investment or commercial bankers, outside legal counsel, pension consultants, and/or other investors who provide services (including mezzanine and/or other lending arrangements). The engagement of any such service provider may be concurrent with an investor's admission to a Fund, or during the term of such investor's investment in the Fund. This creates a conflict of interest, as FP may give such investor preferred economics or other terms with respect to its investment in a Fund, enhanced information or may have an incentive to offer such investor co-investment opportunities that it would not otherwise offer to such investor. In addition, from time to time, portfolio companies and the Funds pay certain fees to other consultants introduced or arranged by FP and/or its affiliates that may regularly provide services to one or more portfolio companies, and such fees also do not offset the management fee.

FP or its affiliates and service providers often charge varying amounts or may have different fee arrangements for different types of services provided. For instance, fees for various types of work often depend on the complexity of the matter, the expertise required, and the time demands of the service provider. As a result, to the extent the services required by FP or its affiliates differ from those required by the Funds and/or its portfolio companies, FP and its affiliates will pay different rates and fees than those paid by the Funds and/or its portfolio companies. Certain other service providers to FP, the Funds, and/or the portfolio companies, or affiliates of such service providers,

may also provide goods or services to or have business, personal, financial or other relationships with FP, its affiliates, or their respective portfolio companies. Such service providers (or their employees) may also source investment opportunities, be co-investors or commercial counterparties or entities in which FP and/or the Funds have an investment, and payments by a Fund and/or such portfolio companies may indirectly benefit FP and/or such Fund.

The Funds have in the past and may, from time to time in the future pay a fee to an investment bank with respect to a particular transaction which fee may, in whole or in part, reflect a payment to the investment bank for finding deals for FP and the Funds in the future. As a result, the Fund paying the fee to the investment bank may not receive the benefit of the future deals sourced by the investment bank and the other Fund to which a deal is allocated will not be required to reimburse the paying Fund for such fee.

FP generally exercises its discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with: (i) FP or a related person of FP (which may include a portfolio company of such Fund); (ii) an entity with which FP or its affiliates or current or former members of their personnel has a relationship; (iii) an entity from which FP or its affiliates or their personnel otherwise derives financial or other benefit; or (iv) FPC. This subjects FP to conflicts of interest, because, although FP selects service providers based on the best interest of the Fund that FP believes are aligned with the Funds' operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Fund, FP may have an incentive to recommend the related or other person because of FP's financial, familiarity, performance or other business interest. There is a possibility that FP, because of such belief or for other reasons, may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Whether or not FP 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.

FP and the Funds will generally engage common legal counsel and other advisers in a particular transaction, including a transaction in which there may be conflicts of interest (*e.g.*, cross transactions and other affiliated transactions). Members of the law firms engaged to represent the Funds may be investors in a Fund and may also represent one or more portfolio companies or investors in a Fund. In the event of a significant dispute or divergence of interest between Funds, FP, and/or its affiliates, the parties may engage separate counsel in the sole discretion of FP and its affiliates, and in the case of litigation and other circumstances, separate representation may be required. Additionally, FP, the Funds, and the Funds' portfolio companies will, from time to time, engage other common service providers. In certain circumstances, the service provider may charge varying rates or engage in different arrangements for services provided to FP, the Funds, and/or the portfolio companies. This may result in FP receiving a more favorable rate on services provided to it by such a common service provider than the rates payable by the Funds and/or the portfolio company, or FP receiving a discount on services even though the Funds and/or the portfolio companies receive a lesser, or no, discount. This creates a conflict of interest between FP, on the one hand, and the Funds and/or portfolio companies, on the other hand, in determining whether to engage such service providers, including the possibility that FP will favor the engagement or continued engagement of such persons if it receives a benefit from such service

providers, such as lower fees, that it would not receive absent the engagement of such service provider by the Funds and/or the portfolio companies. Neither the Funds nor investors in the Funds will receive the benefit of any such favorable rate or discount provided to FP, its personnel or its affiliates, and the management fee paid by any Fund will not be reduced in connection with such favorable rate or discount.

FP from time to time may cause the Funds to bear the full cost and expense of engaging certain third-party service providers on behalf of a portfolio company. In the event a Fund is not the sole shareholder of the portfolio company, other shareholders will benefit from the costs incurred by such Fund and will not reimburse the Fund for their pro rata portion of the cost of any such service provider.

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

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

Additionally, personnel of FP or its affiliates, and/or their family members or relatives may have ownership, employment, or other interests in such service providers. These relationships that FP

may have with a service provider can influence FP in determining whether to select or recommend such service provider to perform services for a Fund or a portfolio company. FP will have a conflict of interest with the Funds in recommending the retention or continuation of a service provider to the Funds or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider will continue to invest in Funds or will provide FP information about markets and industries in which FP operates or is interested or will provide other services that are beneficial to FP. Although FP selects service providers that it believes will enhance portfolio company performance (and, in turn, the performance of the relevant Fund(s)), there is a possibility that FP, because of financial, business interest or other reasons, may favor such retention or continuation even if a better price and/or quality of service could be obtained from another service provider. The fees for services provided by such service providers may or may not be at the same rate charged by other third party service providers and FP is not required to select service providers who may have lower rates (or engage in any benchmarking of such fees).

### *FPC*

As mentioned in Item 5 above, FPC is not an affiliate of FP and FPC is owned by its senior management and relevant Operating Partners and Operating Advisors. FPC services generally include, among other things, (i) supporting the investment team in operational due diligence with a view to providing increased confidence around underwriting operational transformations; (ii) developing best practices and comprehensive value creation plans across the portfolio; (iii) identifying, diagnosing, and fixing operating issues at portfolio companies; (iv) recruiting, evaluating, and hiring executive positions; (v) serving in interim executive or management positions for portfolio companies, or subsidiaries thereof, as needed; (vi) serving as board members for portfolio companies or subsidiaries thereof; (vii) supporting carve-out activities in corporate divestiture investments; (viii) providing various kinds of functional expertise to portfolio companies, including finance, information security and technology, sales and marketing, customer service, business/corporate development to facilitate add-on transactions, and legal; (ix) performing various other services relating to portfolio companies' operating activities; (x) providing other services as further described in the Fund Documents; and (xi) from time to time, also providing "front office" functions with respect to a Fund, such as sourcing or other investment-related functions. It is expected that the services provided by FPC will expand over time. It may be difficult to distinguish services provided by FPC from the investment advisory services provided to the Funds by FP and its affiliates. The nature of the relationship between a Fund or its portfolio companies, on the one hand, and FPC and its Operating Partners and Operating Advisors, on the other hand, may vary significantly depending on the nature of the investment and/or engagement. Such engagements may be memorialized in a formal written agreement or may be informal and are negotiated individually between FPC and each Fund or portfolio company, depending upon the anticipated services to be provided. In certain cases, Operating Partners and Operating Advisors have attributes of FP personnel (for instance, they may receive administrative support services from FP, participate in general meetings or events for FP personnel, have FP e-mail addresses or business cards), even though they are not employees, affiliates or personnel of FP. Certain Operating Partners or Operating Advisors may be subject to contractual obligations to exclusively provide certain services to the Funds and/or the portfolio companies. Operating Partners and Operating Advisors may be offered the ability to co-invest alongside Funds or may, under certain circumstances, be offered the opportunity directly by a

portfolio company to invest in such company, including in investments in which such Operating Partner or Operating Advisor is involved or participates in the management thereof. Additionally, FPC provides limited services to FP for which FP is compensated.

FP does not make any assurances that rates charged by FPC are lower than or equivalent to those of other providers of similar or related operational consulting services. However, FP endeavors to benchmark the rates charged by FPC on an annual basis in a manner that FP believes to be reflective of the range of rates in applicable or related markets. FP undertakes no minimum amount of benchmarking, and does not represent that any such benchmarking ultimately will be accurate, comparable, or relate specifically to the assets, services, geographies, or comparable markets to which such rates or terms relate. Any methodology, or choice among methodologies, involves potential conflicts of interest.

FP often engages FPC due to its dedicated relationship with FP and the Funds' portfolio companies to perform certain consulting services rather than engage independent service providers. FP attempts to address this conflict by seeking to: (i) agree upon fees that FP believes are reasonable; and (ii) with respect to FPC, require that FPC enter into a contract with each applicable Fund and portfolio company directly whereby the parties agree to the fees and an overview of services to be provided, which will generally be reviewed on annual basis. As discussed above in Item 5, FPC fees and other compensation are retained by FPC, are not shared with FP, and do not reduce the management fees paid by the Funds. Additionally, portfolio companies occasionally provide opportunities for FPC and other consultants to receive an interest in such portfolio companies and reimburse costs and expenses incurred by FPC and such consultants. FPC and other consultants also may have a limited partner interest in one or more of the General Partners and/or one or more of the Funds. Such investments, reimbursements, and other compensation paid to FPC and other consultants will not offset the management fee of any Fund.

*Business with and among Portfolio Companies, FP, the Funds, Investors, and Prospective Investors*

Given the collaborative nature of FP's business and the portfolio companies in which the Funds have invested, there are often situations where FP is in the position of recommending services of one portfolio company to other portfolio companies of the Funds, which may involve fees, commissions, servicing payments, and/or discounts to FP, an affiliate or a portfolio company. FP will generally have a conflict of interest in making such recommendations, in that FP has an incentive to maintain goodwill between it and the existing and prospective portfolio companies of the Funds, while the products or services recommended may not necessarily be the best available to the portfolio companies held by the Funds. The benefits received by a portfolio company providing a service may be greater than those received by the Fund(s) and its portfolio companies receiving the service.

FP and/or its affiliates have in the past, and may in the future engage in business opportunities arising from a Fund's investment in a portfolio company. This creates a conflict of interest, as such interests are a benefit arising from the Fund's investment and may vary from the applicable Fund's interest (e.g., whether to make a follow-on investment and, if so, how much should be allocated to the Fund). A Fund's portfolio company will also, from time to time, engage in

transactions with, and provide goods or services, to FP. Such transactions or relationships will benefit such portfolio company and relevant Fund, and not all Fund portfolio companies or Funds. Additionally, FP generally has an incentive to recommend the products or services of certain investors or prospective investors in the Funds, certain third parties, or their related businesses to the Funds or their portfolio companies for use or purchase, even though the products or services recommended may not necessarily be the best available to the Funds or the portfolio companies. Lastly, portfolio companies controlled by a Fund have in the past, and may, from time to time, in the future provide services to FP, certain Fund investors or prospective investors. This creates a conflict of interest, as FP has an incentive to cause the portfolio company to favor itself, or those investors or prospective investors relative to other portfolio companies or clients in terms of pricing or otherwise, which could adversely affect the portfolio company's profitability to the Fund. Additionally, the portfolio company could recommend to its clients that they invest in a Fund.

Current and former founders and prospective founders, officers and executives and other affiliates of portfolio companies have and likely will invest in a Fund. While FP believes this aligns portfolio company management teams and other affiliates with the best interests of such Fund, FP may, in certain circumstances, be incentivized to take (or refrain from taking) certain actions with respect to a portfolio company in order to maintain the goodwill with such portfolio company management team investor or other affiliate of the portfolio company that is an investor in a Fund such that they continue to invest in the Funds, among other reasons.

In certain instances, a Fund's portfolio company competes with, is a customer of, or is a service provider to, another Fund's portfolio company. In providing advice to a portfolio company's business, FP may consider the interests of one portfolio company or Fund and is not obligated to, and need not, take into consideration the interests of other relevant portfolio companies or Funds. As a result, a conflict of interest may arise in these instances because advice and recommendations provided by FP to a portfolio company may have adverse consequences to a separate portfolio company owned by the same or another Fund. The performance and operations of a competitor, customer or service provider portfolio company could conflict with, and adversely affect the performance and operations of another portfolio company, or could adversely affect prices, business opportunities or potential acquisition opportunities. For instance, a portfolio company may seek to expand its market share at the expense of another portfolio company, withdraw business from another portfolio company in favor of another company offering the same product or service at a lower price, increase its own prices, purchase assets from, or sell assets to, another portfolio company, commence litigation against another portfolio company, or prevent one portfolio company from commencing litigation against another portfolio company.

A Fund's portfolio companies may be counterparties or participants in agreements, transactions or other arrangements with portfolio companies of other Funds managed by FP that, although FP determines to be consistent with the requirements of such Funds' Fund Document, may not have otherwise been entered into but for the affiliation with FP, and which may provide economic or other benefits to affiliates of FP (including the payment of fees and other amounts) that are not subject to the management fee offset provisions described herein. For example, FP has in the past caused, and may in its discretion in the future cause, portfolio companies to enter into agreements regarding group procurement (which may depend on the volume of services purchased under these

agreements and which may be pooled across multiple portfolio companies and discounted due to scale), benefits management, data management and/or mining, technology development, purchase or title and/or other insurance policy (which may be pooled across multiple portfolio companies and discounted to scale), and other similar operational initiatives that may result in fees, better pricing, rebates, servicing payments, commissions or similar payments, and/or discounts to FP, its affiliates or a portfolio company, including related to a portion of the savings achieved by the portfolio company. While FP may have a conflict of interest because its economic benefit may incentivize FP to maintain such arrangements, FP believes that such agreements benefit the portfolio companies due to increased access to quality products and services at beneficial pricing and FP's benefits from such arrangements are reduced because FP generally benefits at the same rate as the portfolio companies. However, it should not be assumed that a company related to, or otherwise affiliated with FP will only take actions that are beneficial to, or not opposed to, the interests of a Fund and its portfolio companies.

While less common, from time to time a Fund could hold an investment in a different layer of the capital structure than an investor or another party with which FP has a material relationship, in which case FP could have an incentive to cause the Fund or the portfolio company to offer more favorable terms to such parties (including, for instance, financing arrangements).

Certain members of a Fund's Advisory Board are, or in the future may be, officers or directors of, or otherwise affiliated with, investors in another Fund. The General Partner of a Fund will, from time to time, utilize the services of investors and their affiliates on an arm's length basis with commercially reasonable terms, as it deems appropriate.

In addition, FP has in the past, and may in the future cause a Fund to transact with a portfolio company of the Fund or another Fund, including purchasing an asset from, or selling an asset to, a portfolio company. This creates a conflict of interest as the interests of the purchasing portfolio company (and relevant Fund) or selling portfolio company (and relevant Fund) may differ from one another.

#### *Positions with Portfolio Companies*

Certain personnel of FP serve as directors of, or observers on boards with respect to, certain portfolio companies. While conflicts of interest may arise in the event that such personnel have fiduciary duties as a director conflicts with those of the Fund, it is expected that generally the interests will be aligned. For instance, such positions could impair the ability of a Fund to sell the securities of an issuer in the event a director receives material non-public information by virtue of his or her role, which would have an adverse effect on a Fund. Furthermore, FP personnel serving as a director to a portfolio company owes a fiduciary duty to the portfolio company, on the one hand, and the relevant Fund, on the other hand, and such FP personnel may be in a position where they must make a decision that is either not in the best interest of the Fund, or is not in the best interest of the portfolio company. FP personnel serving as directors may make decisions for a portfolio company that negatively impact returns received by a Fund investing in the portfolio company. Decisions made by FP personnel in their capacity as portfolio company directors may subject FP, its affiliates or a Fund to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims, and other director-related claims.

In addition, to the extent FP personnel serve as a director on the board of more than one portfolio company, such FP personnel's fiduciary duties among the two or more portfolio companies may create a conflict of interest. In general, the Funds will indemnify FP and their partners, principals, and personnel from such claims. Such personnel are required to remit any remuneration they may receive as directors to the applicable Funds.

From time to time, personnel of FP may also be asked to serve as directors of, or observers with respect to, certain entities in which a Fund has fully exited its ownership interest and/or following the termination of the employment of such personnel with FP. In such circumstances, any compensation or fees received with respect to such exited investment and/or by such former personnel or current personnel with respect to a former portfolio company are not subject to the offset arrangement described above in Item 5, or otherwise shared with the Funds and/or investors. This will shift the burden of compensating such persons from FP to the Funds or applicable portfolio companies.

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

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

Certain personnel of FP or its affiliates have in the past or may from time to time in the future also be temporarily seconded to, or otherwise engaged by, certain portfolio companies on either a full-time or a part-time basis to provide services to such portfolio companies. In such instances, the portfolio companies will pay such person's directors' fees, salaries, consultant fees, other cash compensation, stock options, other equity grants or other compensation and incentives and may reimburse FP or such persons for any travel costs or other out-of-pocket expenses incurred in connection with the provision of their services. FP may also advance compensation to seconded personnel and be subsequently reimbursed by the applicable portfolio companies. Any compensation customarily paid directly by FP or its affiliates to such persons will typically be reduced to reflect amounts paid directly or indirectly by the portfolio company even though the management fee paid or carried interest distributed by the Fund to FP will not be reduced. Any amounts paid to such persons by a portfolio company (or paid by FP and reimbursed by a portfolio company) will not reduce the management fee otherwise payable to FP or any carried interest



otherwise payable to FP or its affiliates. All or a portion of any such compensation and incentives will be borne by the Fund, directly or indirectly, via its ownership interest in such portfolio company. In such cases, FP will make a determination in good faith based on its evaluation of the relevant facts and circumstances.

#### *Other Potential Conflicts*

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

## **Item 12. Brokerage Practices**

In general, the Funds will invest directly or indirectly in securities and other interests. The Firm does not expect the Funds to regularly engage in public securities transactions, but the Funds do engage in such transactions from time to time. FP, as an investment adviser, has a responsibility to seek to achieve “best execution,” which the SEC generally describes as executing securities transactions so that a Fund’s total costs or proceeds in each transaction are the most favorable under the circumstances, which does not mean paying the lowest possible commission cost in each instance, but also includes consideration of qualitative execution.

From time to time, the Firm uses a broker to effect transactions in public securities resulting from, or in connection with, portfolio investments. These circumstances include, among other things, the distribution of securities acquired in a transaction effected on behalf of, or in connection with, portfolio investments. In these instances, FP has full discretionary authority with respect to the selection of, and commissions paid to, brokers. If the Firm determines to engage a broker, the Firm will select the broker upon consideration of the range and quality of its brokerage services, its execution capability and trade efficiency, level of trading expertise, commission rate, infrastructure, financial responsibility, responsiveness to the Firm, and other similar factors.

From time to time, FP aggregates purchases and sales of publicly-traded securities for the Funds. FP typically employs this practice because larger transactions may enable it to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. FP and its affiliates may combine orders on behalf of Funds with orders for other Funds for which it or its affiliates have trading authority, or in which it or its affiliates have an economic interest. In such cases, FP and its affiliates generally aggregate trade orders for publicly-traded securities so that each participating Fund will receive the average price for each execution of a transaction. To the extent FP might engage in an aggregated purchase or sale of publicly-traded securities, such aggregated order will be allocated among the applicable Funds on a pro rata basis, unless, in the General Partner’s good faith judgment, a different allocation method is more appropriate under the circumstances. Additional information with respect to investment allocation decisions is discussed above in Item 11.

FP does not receive soft dollar benefits or client referrals from broker-dealers in connection with client transactions.

In selecting or recommending broker-dealers, FP does not take into account whether FP has received, or may in the future receive, client referrals from such broker-dealers.

FP does not currently have any Funds that engage in directed brokerage.

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

The portfolio investments of the FP Funds (other than certain investments made by the FP Credit Funds) are generally private, illiquid, and long-term in nature, and accordingly FP's review of them, which is done on a quarterly basis, is not directed toward a short-term decision to dispose of securities. With respect to the FP Credit Funds, FP regularly reviews and analyzes its portfolio investments. On behalf of each General Partner, FP's Valuation Committee, consisting of members of senior management, including the Chief Operating Officer and Chief Financial Officer, convenes on a quarterly basis to review the valuations of portfolio investments. Following determination of values by the Valuation Committee, FP's Finance Team reviews and ensures correct calculations and external information sources, as applicable. Additionally, the portfolio investments of each Fund are continuously reviewed by a team of FP employees, which are generally the senior investment professionals of the Firm, and portfolio reviews are conducted on a quarterly basis by FP's investment professionals, including the Equity IC and Credit IC.

FP closely monitors the portfolio companies of the Funds and generally maintains an ongoing position on the Board of Directors of such portfolio companies for which it has a controlling position. Additionally, the applicable Fund's Advisory Board, and external auditor, annually review the valuations of Fund assets as prepared by the relevant General Partner. The General Partner retains ultimate responsibility for asset valuations pursuant to the terms of the relevant Fund Document.

Investors in FP Funds will typically receive, among other items, a copy of audited financial statements of the Fund within 120 days after the fiscal year-end of such Fund. In addition, investors in each FP Fund will typically receive unaudited quarterly financial statements regarding such Fund following the end of each financial quarter. Investors in the Funds also receive regular reporting updates through quarterly letters, investor meetings, investment or disposition announcements, capital account statements, and other materials provided via the investor portal. FP and the applicable General Partner will, from time to time, in their sole discretion, provide additional information relating to such Fund to one or more investors in such Fund as they deem appropriate.

In general, investor materials are provided electronically.

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

FP or its affiliates have, and in the future could, utilize a placement agent to assist in the placement of investor interests in the Funds. Any fees paid to any such placement agent generally would be in the form of a percentage of capital committed by certain investors. Any placement fees paid by the Funds results in a reduction of management fees payable to FP. As some Funds do not pay management fees, any such reduction will not benefit such Funds.

For details regarding economic benefits provided to FP by non-clients, including a description of related conflicts of interest, please see Item 11 above. In addition, FP, its affiliates and/or related persons may, in certain instances, receive discounts on products and services provided by portfolio companies.

Compensation to placement agents, if any, will be in accordance with Rule 206(4)-1 under the Advisers Act.

**Item 15. Custody**

Item 15 is not applicable to FP.

**Item 16. Investment Discretion**

FP has entered into an Advisory Agreement related to each Fund. Investment advice is provided directly to the Funds, subject to the discretion and control of the relevant General Partner of each Fund, and not individually to the investors in the Funds. Each such Advisory Agreement, together with the management authority granted to each Fund's General Partner pursuant to the Fund's relevant Fund Documents, provides FP with full discretion to determine investments to be purchased and sold on behalf of the Fund and the terms of the related transactions. Limitations on FP's investment discretion, which generally involve certain diversification requirements, are set forth in the investment management agreement with, and the Fund Documents of, the Funds and/or the rules and regulations of any exchange or market on which FP trades securities on behalf of its Funds. Additionally, as referenced above in Item 8, the Equity IC or the Credit IC collectively have discretionary authority over investment decisions for the applicable Fund.

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

Rule 206(4)-6, “Proxy Voting by Investment Advisers” requires all investment advisers who exercise voting authority over client proxies to: (1) adopt policies and procedures for voting proxies in the best interest of the client; (2) describe the procedures to clients; and (3) inform clients how they may obtain information about how the adviser has actually voted their proxies.

FP has adopted proxy voting policies and procedures to address how it will vote proxies for a Fund’s portfolio investments. FP’s proxy voting procedures are designed to address the resolution of conflicts of interest that may arise in connection with proxy voting, which includes, but is not limited to, identification of materiality and referring the matter to the applicable Fund’s Advisory Board. FP is responsible for voting and handling all proxies in relation to the securities held on behalf of its Funds. FP will vote proxies or abstain from voting proxies, generally by voting in the interest of maximizing shareholder value, but under certain circumstances, when it is believed to be warranted, may include voting in a manner that is contrary to the proxy voting principles and guidelines.

Funds generally may not direct how FP will vote in a particular situation.

Funds and prospective clients may obtain a copy of FP’s proxy voting procedures, as well as specific information as to how certain proxies for securities held in a Fund were voted, upon request from the Compliance Department at (415) 418-2900 or [compliance@franciscopartners.com](mailto:compliance@franciscopartners.com).

**Item 18. Financial Information**

FP is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to Funds, and has not been the subject of a bankruptcy petition at any time during the past ten years.