

Form ADV  
Part 2A: Firm Brochure  
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This brochure provides information about the qualifications and business practices of Stockbridge Partners LLC. If you have any questions about the contents of this brochure, please contact us at (617) 227-0050 or [compliance@berkshirepartners.com](mailto:compliance@berkshirepartners.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

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

**Item 2.**

Stockbridge Partners LLC is pleased to provide its clients with this Brochure, which is the firm's Form ADV Part 2A. This Brochure contains important information about the business practices of the Adviser (as defined below), as well as a description of potential conflicts of interest relating to the firm's advisory business that could affect a client's account with the Adviser. This Brochure includes clarifying information about fees, expenses, risks and conflicts of interest. In addition, the Adviser routinely makes updates throughout the brochure to improve and clarify the description of its business practices, compliance policies and procedures, as well as to respond to evolving industry best practices.

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## Item 4. Advisory Business

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

The Adviser currently serves as the investment manager to certain funds in a master-feeder structure, including a “feeder” vehicle (the “Feeder Vehicle”) organized to invest exclusively in a fund engaging in investment activity (the “Main Fund”). The Adviser may also in the future organize and serve as general partner (or in an analogous capacity) to one or more “parallel funds” organized to invest with the Main Fund in a side-by-side structure and to one or more other feeder vehicles organized to invest exclusively in the Main Fund or in such parallel funds. As of the date of this Brochure, the Adviser also advises one separate account and may, in the future, advise others (each, an “Account,” and the clients for whom such Accounts are maintained, “Separate Account Clients”). The Main Fund and, where the context permits, the Feeder Vehicle, together with any other funds that the Adviser may from time to time advise, are each referred to as a “Fund” and collectively referred to as the “Funds” and, together with the Separate Account Clients, the “Clients.”

The Funds are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”), and the Funds’ interests are not registered under the Securities Act of 1933, as amended (the “Securities Act”).

The Adviser’s services consist of identifying investment opportunities for Clients, and managing, monitoring, and disposing of such investments. The Adviser seeks to invest Client assets primarily in companies that exhibit earnings sustainability and growth due to the characteristics of the industries in which they compete, their positions within those industries and the capabilities of their management teams to execute their business plans. The Adviser focuses on investments with the potential for long-term capital appreciation, with a primary geographic focus in the United States, although the Adviser also pursues international investments on behalf of its Clients. Although the Adviser, on behalf of its Clients, primarily makes relatively long-term investments in publicly traded equities, the Adviser’s strategy allows for strategic short sales to hedge certain risks or to capitalize on market misunderstandings of fundamentals.

Investment advice is provided directly to each Client, and not individually to investors in the Funds (in accordance with separate investment advisory, investment management, or portfolio management agreements, as applicable (each, an “Advisory Agreement”), the applicable governing agreement of a Fund (such as a limited partnership agreement or analogous organizational document (each, an “Organizational Document”)) and/or side letters with limited partners of a Fund (“Side Letters,” and together with the Advisory Agreements and the Organizational Documents, the “Governing Documents”)). A Client (or underlying investors in a Fund) may generally negotiate to impose investment restrictions in the Governing Documents of the applicable Fund or Account with respect thereto at the time the Fund or Account is established.

The Adviser has been in business since 2006. As of December 31, 2023, the Adviser managed a total of \$5,860,523,219 of Client assets, all of which is managed on a discretionary basis.

The Adviser does not participate in wrap fee programs.

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

As provided in the Governing Documents with respect to the Funds or Accounts, the Adviser and/or its designee will receive from a Client both a monthly management fee at a specified rate and an annual incentive allocation and/or fee based upon the performance of the Funds or Accounts, as described further below. Although the Adviser has entered into agreements with Clients providing for the below allocations or fees, the Adviser has in the past and may in the future negotiate alternative fees or allocations on a Client-by-Client basis with other Funds or Accounts that it manages. The Adviser will consider different Client facts and circumstances in determining such fees or allocations, including a Client's investment strategy, assets under management, account composition, reporting requirements, economies of scale, if any, and any other factors the Adviser deems relevant.

### **Management Fee**

Generally, on the first day of each month, the Adviser deducts from the account (the "Capital Account") corresponding to each investor in the Main Fund a management fee (the "Management Fee"), calculated as a percentage of the net asset value of such investor's Capital Account in the Funds.

In addition, Separate Account Clients also pay the Adviser a Management Fee (at a rate set forth in the Advisory Agreement with respect to the applicable Account) in advance on the first day of each month, for which the Adviser bills the applicable Separate Account Client.

In the case of an investor admitted to a Fund, or in the case of an Account established, after the first business day of the relevant calendar month, the Management Fee will be pro-rated based on the admission or establishment date. If Separate Account Clients contribute additional capital during the course of a month, the Management Fee is pro-rated based on the date of such contribution.

In the event an Advisory Agreement is terminated, the Management Fee will be pro-rated based on the ratio of the number of days in the period for which the Management Fee has been paid before and after the termination date, and the balance will be refunded or credited to the Client, as applicable.

Separate Account Clients generally negotiate the Management Fee at the time of establishing an Account, and each Fund negotiates the Management Fee at the time it enters into the applicable Advisory Agreement. Once established, a Fund's or Account's Management Fee is generally not negotiable. As described in Item 11 below, the Adviser is authorized to enter from time to time into Side Letters with one or more investors in a Fund which provide such investors with additional and/or different rights (including, without limitation, with respect to the Management Fee) than provided in the Governing Documents of such Fund. Further, the Adviser may, in its sole discretion, reduce or waive the Management Fee with respect to certain Funds or certain investors in a particular Fund. For example, the Adviser generally waives the Management Fee for investments by employees and principals of the Adviser and the general partners, and their related persons, including estate planning vehicles of such persons.

### **Incentive Fee or Allocation**

Except as provided below, for each fiscal year, the Adviser will be entitled to an incentive fee from the Accounts and an incentive allocation from the Funds (such fee or allocation, the "Incentive Allocation"), neither of which are negotiable after the establishment of the Fund or Account. As described in Item 11 below, the Adviser is authorized to enter from time to time into Side Letters with one or more investors in a Fund that provide such investors with additional and/or different rights (including, without limitation, with respect to Incentive Allocations) than provided in the Governing Documents of such Fund.

Subject to the applicable Governing Documents, the Incentive Allocation with respect to an Account or with respect to a Fund is based on the net performance of the Account or Fund for a fiscal year. The Adviser

may, in its sole discretion, reduce or waive the Incentive Allocation with respect to any Fund or any investor in a Fund (or with respect to any Separate Account Client). For example, the Adviser generally waives the Incentive Allocation for investments by employees and principals of the Adviser and their related persons, including estate planning vehicles of such persons. The Incentive Allocation with respect to investors in Feeder Vehicles is generally allocated at the level of the Main Fund.

The Adviser will bill Separate Account Clients for the Incentive Allocation and will allocate (or cause the appropriate Fund to allocate or pay) the Incentive Allocation with respect to investors in the Funds as of the close of each fiscal year (and as of each other date on which the Adviser determines it is appropriate or necessary to make a determination of the Incentive Allocation with respect to an investor, including a date on which an investor withdraws all or a portion of its investment).

### **Other Expenses**

Except as otherwise described below as a Client expense, the Adviser will bear operating expenses in connection with performing investment management services under the applicable Governing Documents (e.g., including compensation of its investment personnel, secretarial, clerical, and other personnel, including benefits and related taxes, office space and utilities, telephone, and certain computer equipment).

All other expenses with respect to Clients are borne by such Clients, which generally include, without limitation but subject to any restrictions in the applicable Governing Document: investment expenses (i.e., expenses related to the investment of the Fund's or Account's assets, including, without limitation, brokerage commissions and other transaction costs, expenses related to proxies, underwriting and private placements, custody fees, interest and commitment fees and other borrowing charges, borrowing charges on securities sold short, professional and legal expenses relating to investments or prospective investments and other fees and expenses (including, without limitation, travel and travel-related expenses, meals, entertainment, and other out-of-pocket costs) reasonably related to the investment decision and monitoring process, whether or not the investments to which they relate are consummated), expenses associated with activist investment activities (including public relations, tender offer, proxy solicitation expenses and private placement commitment fees), taxes, insurance premiums (including liability insurance for a Fund's general partner and the Adviser), legal expenses (including, without limitation, settlement costs and costs arising in connection with a litigation (including discovery requests) or regulatory investigation instituted against a Fund or its general partner in its capacity as such), governmental, regulatory, licensing, filing or registration fees and expenses, the costs of brokerage services and research and information expenses (including, without limitation, data and information service subscriptions, related systems from data providers, portfolio risk analysis, quantitative analytics, portfolio optimization analysis, portfolio execution analysis, news, quotation, statistics and pricing services, hardware, third-party diligence software and service providers, subject- and industry-matter and research experts, databases, data management software, and other technical and telecommunications services and equipment used in the investment management process), as well as the information technology systems used to obtain such research and other information; accounting, bookkeeping, audit and tax preparation expenses; consulting and other professional expenses (including, without limitation, fees and expenses of valuation firms and administration fees and other expenses charged by or relating to the services of third-party providers of administration services (including the maintenance of books and records of a Client)); fees payable to sub-advisors (if the Adviser determines that such an arrangement represents the best way to access a particular investment opportunity or a difficult to access market or otherwise makes available specialized investment expertise to a Client); fees and expenses in connection with any advisory board or committee; bank service, custodial, and similar fees; entity-level taxes; fees and expenses relating to the offer and sale of interests in a Fund (including, without limitation, organizational fees and expenses, filing fees, accounting fees, printing costs, travel and travel-related expenses, and legal fees); all costs and expenses related to investor meetings or conferences, including meals and the costs and expenses of any guest speakers and entertainment; all costs and expenses related to reporting and providing information to existing and prospective Fund investors; expenses associated with a Client's compliance with anti-money laundering regulations or other applicable laws and regulations (including in relation to privacy, data protection, know-your-customer, sanctions or

anti-terrorism considerations), including out-of-pocket costs and expenses, including related software costs and expenses, that are attributable to the operation of such Client; other expenses associated with the operation of a Fund and all extraordinary expenses. With respect to a Fund, expenses directly attributable to certain illiquid investments are generally charged solely to the Capital Accounts corresponding to investors in such Fund participating in such illiquid investment. The Main Fund bears all expenses of the Main Fund and the Feeder Vehicle with the exception that any expenses that are directly attributable to the operation of the Feeder Vehicle will be specially allocated to the investors in the Feeder Vehicle and will not be borne by direct investors in the Main Fund (other than the Feeder Vehicle). As used throughout this brochure, "travel and travel-related" includes reasonable travel expenses for the use of private aircraft, first class or business class travel, private car ground transportation, accommodations, meals, events, and entertainment. In certain instances, however, the Organizational Documents of a Client will limit the amount of such travel and travel-related expenses for which a Client will bear.

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

Please also refer to the discussion of the Adviser's brokerage practices in Item 12 below.

In addition, on occasion, the Adviser and/or its Managing Directors on behalf of the Adviser have and may in the future serve on, and may receive options or other equity incentive compensation for serving on, boards of directors of, or providing other services to, companies in the investment portfolio of a Client ("Portfolio Companies"). To the extent such company is also a company in which a pooled investment vehicle advised by Berkshire (the "Berkshire Funds") is invested, a portion of such compensation, which is paid to the Adviser (or its affiliates) directly, may be credited against the fees payable to such Berkshire Funds, but the Adviser's Clients are not entitled to receive a similar benefit. In the event of such a receipt of incentive compensation, the recipients or the Adviser, with respect to compensation received as a fee, may act in their or its own interests with respect to the options or other securities received and may determine to exercise or sell such securities or to hold the securities for such time as such recipients or the Adviser shall determine. The ability of such recipients or the Adviser to act in their or its own interests with respect to such incentive compensation creates a conflict of interest between the Adviser, as an adviser to the Clients, and its related persons, on the one hand, and the Clients, on the other because the recipient's interest may not be aligned with those of the Clients (e.g., because the recipient may have a different targeted return than what the Adviser targets for a Fund), and the recipient may determine to sell the stock received a different time, or on different terms, than the Fund. For a discussion of material conflicts of interest created by the receipt of such compensation, please see Item 11 below.

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



foregoing, the portion of an expense allocated to such Allocable Party for a particular service will not always reflect the relative benefit derived by such Allocable Party from that service in any particular instance and the Adviser may determine an allocation of expenses to be fair and equitable even where a Client is required to bear more than its proportional share of such fees or expenses relative to other Allocable Parties receiving the same service or participating in the same transaction. In addition, a Client will bear more or less of a particular expense based on the methodology used, and a Client will bear more or less of a particular expense based on the number of Allocable Parties the Adviser selects to bear the expense in its initial allocation determination. When making expense allocation determinations, the Adviser generally will allocate an expense to one or more Allocable Parties 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 Allocable Parties that were not in existence or otherwise identified as Allocable Parties 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 the Adviser will not re-allocate the expense to each such future Allocable Party, and such future Allocable Part(ies) will benefit at the expense of other Allocable Parties, including the Clients.

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

As disclosed above under Item 5, Fees and Compensation, the Adviser (or its designee) receives an Incentive Allocation based on the performance of the Funds or Accounts, as applicable. Clients pay Incentive Allocations calculated at different rates and subject to different terms, and there may also be waivers or reductions for certain investor accounts.

The payment of Incentive Allocations at varying rates creates a potential incentive for the Adviser to disproportionately allocate time, services or functions to a Client paying Incentive Allocations at a higher rate (or on terms more favorable to the Adviser) or allocate investment opportunities to such Client. Generally, and except as may be otherwise set forth in the Governing Documents of the Funds, this conflict is mitigated, at least in part, by the Adviser's policies and procedures, which set forth the specific discretionary allocation policies of investment opportunities that factor into the Adviser's consideration of allocations. Please also see Item 11 below regarding allocation for additional information relating to how the Adviser generally addresses conflicts of interest.

**Item 7. Types of Clients**

The Adviser currently provides investment advisory services to the Clients. Investment advice is provided directly to each Client, and not individually to investors in the Funds.

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

The minimum initial investment in the Main Fund is \$5 million, and the minimum subsequent investment in the Main Fund is \$1 million, although the general partner or the board of directors of a Fund, as applicable, has in the past and may again in the future waive these minimum requirements in its or their sole discretion. The Adviser does not have a minimum size for any Fund.

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

The Adviser seeks to invest Client assets primarily in public companies and, in certain instances, private companies, that exhibit earnings sustainability and growth due to the characteristics of the industries in



which they compete, their positions within those industries and the capabilities of their management teams to execute their business plans. The Adviser's analysis generally focuses on a company's potential performance over two to five years and on the opportunity for significant capital appreciation over that time period. Companies with strong fundamentals and growth opportunities typically trade at premium valuations, so the Adviser seeks to invest at those times when short-term uncertainty leads to attractive valuations.

The Adviser generally focuses on investments with the potential for long-term capital appreciation. As such, a two-to-five-year investment holding period is typically expected to be the norm. In constructing and maintaining portfolios, the Adviser generally will not be focused on avoiding short-term volatility and will view price fluctuations more as opportunities than as risks.

The Adviser's pre-investment due diligence process and post-investment monitoring program require the commitment of substantial time and resources. Consequently, the Adviser expects its fully invested portfolio to be relatively concentrated. However, the Adviser seeks to manage this concentration to avoid excessive exposure to the same industries or macroeconomic variables. In addition, the Adviser has internal guidelines with respect to investing a certain percentage of a Client's assets in any single security. Notwithstanding the foregoing, there are no absolute limitations on the minimum or maximum number of positions held by a Client, and, as a result, a Client may be more or less concentrated or more or less diversified than described in this Brochure. Additional investment restrictions may be imposed in the Adviser's discretion, or on a negotiated basis, with respect to a Client by the applicable Governing Documents.

## **Risks**

An investment in a Fund or Account involves a significant degree of investment risk, including the risk that the entire amount invested may be lost, and such an investment is not intended as a complete investment program for any investor. Clients invest in securities using strategies and financial techniques with significant risk characteristics. No guarantee is made that the investment objectives of a Client will be realized. Although certain of the Adviser's investment professionals have participated in the management of other investment funds and accounts, the past performance of such other investment funds and accounts cannot be relied upon as an indicator of a Client's own success. There is no guarantee that a Client will be able to control investment risks or that the risks will not aggregate in a manner adverse to a Client. In evaluating whether to make an investment in a Client, prospective investors should consider all information contained in a Client's offering documents, including the considerations and risk factors set forth therein. Material risks relating to the investment strategies and methods of analysis described above and to the types of securities typically purchased by or for the Adviser's Clients include, but are not limited to, the risks outlined in the following paragraphs.

*General Economic, Political or Regulatory Conditions.* General economic, political, or regulatory conditions may affect a Client's activities. Interest rates, general levels of economic activity, the price of securities, availability and terms of credit, changes in laws, regulatory interventions and changes in regulations, changes in fiscal policies, tax laws, trade barriers, commodity prices, currency exchange rates and controls, national and international political circumstances, environmental and socioeconomic conditions (including wars, terrorist acts, or security operations), and participation by other investors in the financial markets, among other things, may affect the value and number of investments made by a Client or considered by a Client for prospective investments, which could adversely affect the Adviser's ability to identify investments, a Client's profitability, impede the ability of a Client's investments to perform under or refinance their existing obligations, and impair a Client's ability to effectively exit its investments on favorable terms. A Client's investments can be expected to be sensitive to the performance of the overall economy. Any of the foregoing events or a negative impact on economic fundamentals and consumer confidence would likely increase market volatility and reduce liquidity, each of which could have a material adverse effect on the performance of a Client's investments, which could be exacerbated by the presence of leverage in an investment's capital structure. In addition, volatility and illiquidity in the financial sector may have an adverse

effect on the ability of a Client to sell and/or partially dispose of its investments. Such adverse effects may include the requirement of a Client to pay break-up, termination, or other fees and expenses in the event a Client is not able to close a transaction (whether due to the lenders' unwillingness to provide previously committed financing or otherwise) and/or the inability of a Client to dispose of investments at prices that the general partner believes reflect the fair value of such investments. The impact of market and other economic events may also affect a Client's ability to raise funding to support its investment objectives. No assurances can be given as to the effect of these economic, political, or regulatory conditions on a Client's investment objectives, or on the success of a Client's investments.

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

*Financial Market Fluctuations.* Currently, and during prior recent periods, U.S. and global financial markets and the broad current financial environment have been, and continue to be, characterized by uncertainty, volatility, and instability. These financial market fluctuations have the tendency to reduce the availability of attractive investment opportunities for the Clients and may affect the Clients' ability to make investments and the value of investments held by the Clients. For example, volatile market conditions can lead to significantly diminished availability of credit and an increase in the cost of financing, which can materially hinder the initiation of leveraged transactions. Instability in the securities markets and economic conditions generally may also increase the risks inherent in the Clients' investments. The ability to realize investments in an effective manner depends not only on the Portfolio Companies and their historical results and prospects, but also on political, market and economic conditions at the time of such realizations. The trading market, if any, for the securities of any Portfolio Company may not be sufficiently liquid to enable a Client to sell these securities when the Adviser believes it is most advantageous to do so, or without adversely affecting the stock price. Volatility in the financial sector may have a material adverse effect on the ability of the Clients to buy or sell, in whole or in part, its investments. A Client may be adversely affected to the extent that it seeks to dispose of any of its portfolio investments in an illiquid or volatile market, and a Client may find itself unable to dispose of investments at prices that the Adviser believes reflect the fair value of such investments. Future market conditions, the duration and ultimate effect of current market conditions and whether such conditions may worsen, cannot be predicted.

*Governmental Intervention.* Disruptions in the global financial markets at times have led to governmental intervention. Such intervention has in certain cases been implemented on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, these interventions have typically, for sometimes prolonged periods, been unclear in scope and application, resulting in confusion and uncertainty which have been materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies. If governmental intervention programs are then unwound, there could be further uncertainty and adverse effects on the markets. It is impossible to predict what interim or permanent governmental restrictions (or easing of restrictions) may be imposed on the markets during a Client's term or the effect of such restrictions on a Client's strategies.

*Equity Risk.* The market price of securities owned by a Client may go up or down, sometimes rapidly or unpredictably. The Funds and Accounts are subject to the risk that the equity securities in each of their portfolios will decline in value due to factors affecting equity securities markets generally or particular industries represented in those markets. The values of equity securities may decline due to general market conditions, which are not specifically related to a particular company, such as real or perceived adverse

economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. Such values may also decline due to factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Other risks of investing globally in equity securities may include changes in currency exchange rates, exchange control regulations, expropriation of assets or nationalization, imposition of withholding taxes, including on dividend or interest payments and difficulty in obtaining and enforcing judgments against non-U.S. entities. In addition, securities which the Adviser believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame the Adviser anticipates. As a result, a Client may lose all or substantially all of its investment in any particular instance.

***Lack of Liquidity in Markets.*** The markets for some securities may be thinly traded from time to time. This lack of liquidity and market depth could disadvantage a Client, both in the realization of quoted prices and in the execution of orders at desired prices or in desired quantities. Also, securities exchanges and the SEC have authority to suspend trading in a particular security without notice.

***Concentration of Investments.*** Subject to applicable limitations in the Governing Documents, the Adviser expects each Client's portfolio to be relatively concentrated. Any such lack of diversification would increase the risk of loss to a Client if there were a decline in the market value of any security or sector in which such Client had invested a large percentage of its assets. Investment in a "non-diversified" fund will generally entail greater risks than investments in a "diversified" fund.

***Limitations on Ability to Exit Investments.*** The Adviser expects to exit from the private investments it makes on behalf of the Clients in a number of different ways, including public offerings and private sales. At any particular time, one or both of these avenues may not be open to the Clients, or timing with respect to these exit mechanisms may be inopportune. In particular, the receptiveness of the public market to the Clients' private investments may vary dramatically from period to period, and an otherwise successful private investment may yield poor investment returns if the Clients are unable to dispose of securities of such Portfolio Company due to poor conditions in the market. As such, the ability to exit from and liquidate portfolio holdings may be constrained at any particular time.

***Investment in Small Companies.*** There is no limitation on the size or operating experience of the companies in which a Client may invest. Some small companies in which a Client may invest may lack management depth or the ability to generate internally or obtain externally the funds necessary for growth. Companies with new products or services could sustain significant losses if projected markets do not materialize. Further, such companies may have, or may develop, only a regional market for products or services and may be adversely affected by purely local events. Such companies may be small actors in their industries and may face intense competition from larger companies and entail a greater risk than investment in larger companies.

***Investment in Illiquid Securities.*** Subject to any applicable limitations in each Client's Governing Documents, Clients may invest in illiquid investments (including illiquid investments that the Adviser designates as such because of a transaction involving or other relationship between the issuer of such security or other instrument and Berkshire), which are securities that are not readily marketable, only thinly traded or which the Adviser otherwise determines to be illiquid or lacking a readily ascertainable market value. Illiquid investments may include privately placed securities that are not registered under the Securities Act and may have little or no trading market. In many cases, the fair value of such investments may be difficult to ascertain, and there is a risk of mistaken valuations. In addition, a Client may not be able to readily dispose of such investments and, in some cases, may be contractually prohibited or otherwise restricted from disposing of such securities for a specified period of time. These limitations on liquidity of such investments could prevent a successful sale thereof, result in delay of any sale or reduce the amount of proceeds that might otherwise be realized.

***Geographic Concentration.*** Generally, the primary geographic focus of each Client's investments will be in the United States, although the Adviser also pursues (subject to any limitations in the applicable Governing Documents) international investments. There is generally no limitation on the level of concentration of a Client's U.S. investments. Targeting a specific geographical area could hurt a Client's performance or cause such performance to be more volatile than a more geographically diversified fund or account.

***Investment in Non-U.S. Securities.*** On behalf of its Clients, the Adviser invests from time to time in non-U.S. securities. Foreign securities involve certain risks not typically associated with investing in U.S. securities due to non-U.S. economic, political and legal developments, including risks relating to (i) favorable or unfavorable changes in currency exchange rates, (ii) differences between the U.S. and foreign securities markets, including potential price volatility in and relative illiquidity of some foreign securities markets, (iii) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation, (iv) the potential for rapid fluctuations in inflation rates, (v) certain economic and political risks, including possible regulations and restrictions on foreign investment and repatriation of capital and the risks of economic, political or social instability, (vi) foreign governmental approvals and compliance with foreign laws and regulations, (vii) the possible imposition of foreign taxes on income and gains recognized with respect to such securities, (viii) more rudimentary anti-fraud and anti-insider trading regulation and (ix) less developed corporate laws regarding fiduciary duties and the protection of investors. Additionally, investments in foreign securities may be subject to greater risks than U.S. investments due to exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of taxes on dividends, interest payments or capital gains, the need for approval by government or other authorities to make investments, and possible difficulty in obtaining and enforcing judgments against non-U.S. entities and other factors beyond the control of the Adviser. Furthermore, issuers of non-U.S. securities are subject to different, often less comprehensive accounting, reporting or disclosure requirements than U.S. issuers. The securities markets of some countries in which a Fund or Account may invest have substantially less volume than those in the United States, and securities of certain companies in these countries are less liquid and more volatile than securities of comparable U.S. companies. Accordingly, these markets may be subject to greater influence by adverse events generally affecting the market, and by large investors trading significant blocks of securities, than is usual in the United States. Brokerage commissions and other transaction costs on securities exchanges in non-U.S. countries are generally higher than in the United States. Non-U.S. securities settlements may in some instances be subject to delays and related administrative uncertainties. In some countries, there are restrictions on investments or investors such that the only practicable way for a Client to invest in such markets is by entering into swaps or other derivative transactions with a prime broker or other intermediary or counterparty. Such transactions involve counterparty risks that are not present in the case of direct investments and that the Adviser may not be able to control. The Clients' historical returns on their U.S. investments may not be indicative of the results they may achieve on future investments located in foreign countries.

Investments in companies with significant operations in emerging markets will be subject to all of the risks detailed above, as well as to various other risks that cannot currently be predicted with precision. Additionally, owing to the less developed political systems and markets often in place in emerging markets, the risks described above may be more pronounced with respect to a Fund's or Account's investment in emerging markets than with respect to investments in other international markets. For example, any such investments may be subject to a greater risk of expropriation, confiscatory taxation, nationalization, or political, economic or social instability than present in more developed markets. In comparison to securities markets in more developed countries, securities markets in developing countries may be substantially less liquid, and may have greater volatility, greater fluctuations in the rate of exchange between currencies and greater costs associated with currency conversions. Any of these factors could cause the Adviser not to pursue certain investments or to alter certain activities or liquidate certain investments prior to or after the time when the Adviser would otherwise prefer to liquidate such investments, and such factors may cause losses or have other negative impacts on a Client or its investments.

*Currency Exchange Risk.* Generally, investments in a Client are payable in U.S. dollars, and each Client's assets are valued in U.S. dollars. Non-U.S. investments may be denominated in, or linked to, currencies other than the U.S. dollar. Currency exchange rates can be volatile and affected by, among other factors, the international balance of payments and other general economic and financial conditions of a country, the forces of supply and demand in the foreign currency exchange markets, the actions of governments or central banks and the imposition of currency controls and speculation. A Fund or Account may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rate between such currencies and the U.S. dollar. A change in the value of a non-U.S. currency relative to the U.S. dollar will result in a corresponding change in the U.S. dollar value of the Fund's or Account's assets denominated in that non-U.S. currency. On behalf of its Clients, the Adviser may enter into transactions (including currency swaps, forward currency exchange contracts, currency futures and options on currencies and futures) to hedge against currency exchange risk, but the Adviser is not obligated to do so. Additionally, suitable hedging transactions may not be available in all circumstances, or such transactions may not be successful and may eliminate any chance for a Client to benefit from favorable fluctuations in relevant currencies. There can be no assurance as to the success of any hedging operations that a Client may implement.

*Market Disruption and Geopolitical Risk.* An unstable geopolitical climate and continued threats of terrorism could have a material adverse effect on general economic conditions, market conditions and market liquidity. The United States and governments globally have seen a rise in populist and nationalist tendencies, with political parties espousing such themes gaining strength in local and national elections. Increased focus and scrutiny of globally operating organizations such as a Client's Portfolio Companies may adversely affect a Client and its investment activities.

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

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

Additionally, a serious global health crisis or pandemic or a natural disaster could severely disrupt the global, national and/or regional economies. A Client is subject to the risk that war, terrorism and related geopolitical events may lead to increased short-term market volatility and have adverse long-term effects on the U.S. and world economies and markets generally, as well as adverse effects on issuers of securities and the value of a Client's investments. Those events, as well as other changes in U.S. and non-U.S. economic and political 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 or Account's investments. At such times, a Client's exposure to a number of other risks described elsewhere in this section can increase.

Other factors, such as changes in U.S. federal or state tax laws, U.S. federal or state securities laws, bank regulatory policies or accounting standards may make asset acquisitions less desirable. Similarly, legislative acts, rulemaking, adjudicatory or other activities of the U.S. Congress, the SEC, the Federal Reserve Board, the New York Stock Exchange or other securities or commodities exchanges, the Financial Industry Regulatory Authority or other governmental or quasi-governmental bodies, agencies, and regulatory organizations may make the business of the Clients more difficult to operate.

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

In an effort to contain such health emergencies, national, regional, and local governments, as well as private businesses and other organizations, have taken or have the potential to take restrictive measures, including instituting local and regional quarantines, restricting travel (including closing certain international borders), prohibiting public activity (including "stay-at-home" and similar orders), and ordering the closure of large numbers of offices, businesses, schools, and other public venues. Any such measures have the potential to significantly diminish economic production and activity of all kinds and contribute to volatility in financial markets, demand across categories of consumers and businesses, as well as in the credit and capital markets. Restrictive measures, whether on an initial or re-imposed basis, also have the potential to cause labor force and operational disruptions, slowing or complete idling of certain supply chains and manufacturing activity, increases in unemployment levels, and strain and uncertainty for businesses and households, with a particularly acute impact on industries dependent on healthcare and travel and public accessibility, such as transportation, hospitality, tourism, retail, sports, and entertainment.

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

*Cybersecurity Risk.* The Adviser, the Clients' 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 a Separate Account Client or a Fund and its investors, despite the efforts of the Adviser and the Clients' 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 belonging to a Separate Account Client or a Fund and its investors.

Cyber incidents refer to both intentional attacks and unintentional events including: processing errors, human errors, technical errors including computer glitches and system malfunctions, inadequate or failed internal or external processes, market-wide technical-related disruptions, unauthorized access to digital systems (through "hacking" or malicious software coding), computer viruses, and cyber-attacks which shut down, disable, slow or otherwise disrupt operations, business processes or website access or functionality (including denial of service attacks). Cybersecurity incidents, cyberattacks and other malicious internet-based activity have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency and magnitude in the future. The use of internet- or cloud-based programs, technologies, and data storage applications generally heightens these risks, and the risks of attack are heightened in remote work environments. As part of its business, the Adviser processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the Clients and personally identifiable information of Fund investors. Similarly, affiliates and service providers of the Adviser, and service providers of the Clients, especially any administrators, may process, store and transmit such information. For example, unauthorized third parties could attempt to improperly access, modify, disrupt the operations of, encrypt or otherwise prevent access to these systems of the Adviser, the Clients' service providers and counterparties, as well as the data stored by these systems, including investor information. The Adviser and the Clients' 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 Clients and Adviser from executing its investment strategy or accessing an account, which could lead to financial losses. Third parties could also attempt to fraudulently induce employees, customers, third-party service providers or other users of the Adviser's systems to disclose sensitive information in order to gain access to the Adviser's data or that of the Funds' investors or to transfer funds to unauthorized third parties. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems or networks change frequently, may be difficult to detect for long periods of time and generally are not recognized until launched against a target. Therefore, companies as well as their third-party partners (including vendors and Portfolio Companies) may be unable to anticipate these techniques, react in a timely manner or implement adequate preventive measures. A successful penetration or circumvention of the security of the Adviser's systems by unauthorized third parties could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. There have been reports of alleged foreign government-sponsored hacking attempts on American corporate intellectual property, and the Adviser and the Clients' Portfolio Companies may be at risk of cyberattacks. Any of these such incidents could cause the Clients, the Adviser or their service providers to incur regulatory penalties, reputational damage, additional compliance costs, increased insurance premiums or financial loss. Such incidents could cause the Clients, the Adviser or their service providers to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures or financial loss. In addition, the Adviser may incur substantial costs related to investigation 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. While the Adviser believes that the Clients' critical service providers have established business continuity plans in the event of, and risk management systems to prevent, such cyber incidents, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Furthermore, the Adviser cannot



control the cybersecurity plans and systems put in place by a Client's service providers or any other third parties whose operations may affect the Clients.

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

***Risks of Artificial Intelligence ("AI").*** The Adviser's ability to use, manage and aggregate data 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 the Adviser'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 the Adviser may restrict certain uses of third-party and open source AI tools, such as ChatGPT, the Adviser's employees and consultants and a Client's Portfolio Companies may use these tools, which poses additional risks relating to the protection of the Adviser's and such Portfolio Companies' proprietary data, including the potential exposure of the Adviser's or such Portfolio Companies' confidential information to unauthorized recipients and the misuse of the Adviser's or third-party intellectual property, which could adversely affect the Adviser, a Client or its Portfolio Companies. Use of AI tools may result in allegations or claims against the Adviser, a Client 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 the Adviser's and its employees' and consultants' decision-making, portfolio management or other business activities, which could have a negative impact on the Adviser or on the performance of a Client and its Portfolio Companies. Such AI tools could also be used against the Adviser, a Client 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 the Adviser, a Client or its Portfolio Companies to utilize AI in the manner it has to-date and may have an adverse impact on the ability of the Adviser, a Client or its Portfolio Companies to continue to operate as intended.

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

***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, gains in respect of a general partner's right to carried interest will be subject to a three-year "holding period" in order to be classified as "long term capital gains," while the corresponding holding period requirement with respect to Fund investors is one year. This holding period requirement could affect investment decisions, including the timing and structure of dispositions, and could adversely impact returns for investors. For example, the holding period requirement may incentivize

the general partner to cause a Fund to hold an investment for longer than three years in order for the general partner to obtain a preferential tax rate on carried interest, even if there are attractive realization opportunities prior to that time. Further, there are currently administrative and legislative proposals to further change the tax treatment of “carried interest” in ways that may be adverse to partners in the general partner. Such proposed legislation, if enacted in the future, could apply to reduce the after-tax returns of individuals associated with a Fund, its general partner, or the Adviser who were or may in the future be granted direct or indirect interests in carried interest, which could make it more difficult for the relevant general partner and its affiliates to incentivize, attract, and retain individuals to perform services for a Fund. A general partner and the Adviser may take these potential adverse consequences into account in their management and operation of the Funds and in addressing these adverse consequences, the interests of the general partner and the Adviser, on the one hand, may diverge from the interests of the investors, on the other hand.

*Third-Party Advice.* The Adviser and its Clients utilize the services of attorneys, accountants and other advisors and consultants in their operations. The Adviser and its Clients generally rely upon such advisors for their professional judgment with respect to legal, tax and other regulatory matters. Nevertheless, there exists a risk that such advisors may provide incorrect advice from time to time or make errors when providing services. Neither the Adviser nor its Clients will have any liability to a Client’s investors for any reliance upon such advice or services, provided that such advisors were selected with reasonable care. Additionally, subject to certain limitations, the Clients may be required to exculpate and indemnify such service providers for any losses incurred. Investors in a Fund generally have no direct rights against such advisors. Where wrongdoing is alleged to have been committed against a Fund, such wrongdoing would generally only be actionable by the Fund’s general partner. In the absence of any direct contractual relationship between a Fund’s investors and its advisors, there are only very limited circumstances in which an investor may bring a direct claim against any such advisor, including the Adviser.

*Portfolio Turnover.* There is no limit on the rate of portfolio turnover for any Client, and portfolio investments held by a Client may be sold without regard to the length of time they have been held when, in the opinion of the Adviser, investment considerations warrant such action. This could result in frequent trading. A high rate of portfolio turnover involves correspondingly greater expenses than a lower rate, leads to greater brokerage and other transaction costs, may reduce a Fund’s or Account’s investment gains, may create a loss for investors and may result in taxable costs for investors, depending on the tax provisions applicable to such investors.

*Short Sales.* Although short sales are not currently a significant element of the Adviser’s investment strategy, the Adviser has in the past and may in the future strategically make short sales of investment securities on behalf of a Client to hedge certain risks or capitalize on market misunderstandings of fundamentals, such as flawed business models or poor company management. In a short sale, the seller sells a security that it does not own, typically a security borrowed from a broker or dealer. Because the seller remains liable to return the underlying security that it borrowed from the broker or dealer, the seller must purchase the security prior to the date on which delivery to the broker or dealer is required. As a result, the Adviser typically engages in short sales only where it believes the value of the security will decline or will underperform relative to another security or group of securities in its portfolio, between the date of the sale and the date a Client is required to return the borrowed security, or for hedging purposes. Short selling exposes a Client to the risk of liability for the market value of the security that is sold, which in certain circumstances is an unlimited risk due to the lack of an upper limit on the price to which a security may rise. In addition, there can be no assurance that securities necessary to cover a short position will be available for purchase or that securities will be available to be borrowed at reasonable costs. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a “short squeeze” can occur, and the Adviser may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short. Any of these factors could make the Adviser unable to execute its investment strategy.

In the past, the SEC has adopted interim rules requiring reporting of all short positions above a certain *de minimis* threshold and may adopt rules requiring public disclosure in the future. In addition, other jurisdictions in which the Adviser may trade have adopted reporting rules for short sales and short positions. If a Client's short positions or its strategy become generally known, it could have a significant effect on the Adviser's ability to implement its investment strategies for such Client. In particular, it would make it more likely that other investors could cause a "short squeeze" in the securities held short by a Client forcing a Client to cover its positions at a loss. In addition, if other investors engaged in copycat behavior by taking positions in the same issuers as a Client, the cost of borrowing securities to sell short could increase drastically, and the availability of such securities to such Client could decrease drastically. Such events could make the Adviser unable to execute its investment strategy. The SEC has adopted restrictions on the short sales of securities that fall more than ten percent in a given day (referred to as the "circuit breaker" or "modified uptick" rule). Such events and these and other restrictions on the Adviser's ability to engage in short sales could make the Adviser unable to execute its investment strategy and cause losses to a Client.

The SEC and regulatory authorities in other jurisdictions may adopt (and in certain cases, have adopted) bans on short sales of certain securities in response to market events. Bans on short selling may make it impossible for the Adviser to execute certain investment strategies on behalf of a Client and may have a material adverse effect on its ability to achieve its investment objective and generate returns.

**Leverage.** Although the Adviser does not currently expect leverage to be a significant element of its investment strategy, the Adviser has the power to cause a Client to borrow and may do so when it deems it necessary or advisable to provide efficient portfolio management or, in unusual circumstances, to take advantage of investment opportunities. The Adviser also may cause a Client to borrow when the Adviser deems it appropriate to meet withdrawal requests, which would otherwise result in the premature liquidation of investments. Leverage increases returns if a Client earns a greater return on investments purchased with borrowed funds than such Client's cost of borrowing. However, the use of leverage exposes a Client to additional risks, including (i) greater losses from investments than would otherwise have been the case had such Client not borrowed to make the investments; (ii) margin calls or interim margin requirements that may force premature liquidations of investment positions; and (iii) losses on investments where the investment fails to earn a return that equals or exceeds such Client's cost of borrowing. In the event of a sudden, precipitous drop in value of a Client's assets, such Client may not be able to liquidate assets quickly enough to repay its borrowings, further magnifying the losses incurred by such Client.

**Derivatives and Counterparty Risks.** Although the Adviser does not currently expect derivative transactions to be a significant element of its investment strategy, the Adviser may utilize swaps and other derivative transactions to some degree where it believes it will further the objectives of a Client. Under the Governing Documents, notional amounts of swap transactions are not subject to any limitations, and swap contracts may expose a Client to unlimited risk of loss. Swaps may be used as an alternative to futures contracts. To the extent a Client invests in repos, swaps, forwards, futures, options and other "synthetic" or derivative instruments, counterparty exposures can develop, and such Client bears the risk of nonperformance by the other party to the contract. This risk may differ materially from those entailed in exchange-traded transactions which generally are supported by guarantees of clearing organizations, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. In the international securities markets, the existence of less mature settlement structures and systems can result in settlement default and exposure to counterparty credits.

In addition, the U.S. government has enacted legislation that includes provisions for new regulation of the derivatives market, including new clearing, margin, reporting and registration requirements. The overall impact of such legislation is highly uncertain and it remains unclear how the derivatives market will adapt to this new regulatory regime. The regulatory changes could, among other things, restrict the Adviser's ability to engage in derivatives transactions and/or increase the costs of such derivatives transactions (including through increased margin requirements), and a Client may be unable to execute its investment

strategy as a result. Additionally, the new requirements may result in increased uncertainty about counterparty credit risk. Moreover, dealers can be expected to try to pass these increased costs along, at least partially, to market participants such as the Clients in the form of higher fees or less advantageous dealer marks. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action.

A Client may only close out a swap or contract for differences with the consent of the particular counterparty, may only transfer a position with the consent of the particular counterparty, and following transfer of a position, may only close out the transaction with the new counterparty. Also, if the counterparty defaults, a Client will have contractual remedies pursuant to the agreement related to the transaction, but there is no assurance that contract counterparties will be able to meet their obligations pursuant to such contracts or that, in the event of default, the Client will succeed in enforcing its contractual remedies. There also may be documentation risk, including the risk that the parties may disagree as to the proper interpretation of the terms of a contract. If such a dispute occurs, the cost and unpredictability of the legal proceedings required to enforce its contractual rights may lead a Client to decide not to pursue its claims against the counterparty. Such Client thus assumes the risk that it may be unable to obtain payments owed to it under swap contracts, over-the-counter options, and other two-party contracts, or that those payments may be delayed or made only after a Client has incurred the costs of litigation.

Counterparty risk may be further complicated by recently enacted U.S. financial reform legislation which includes provisions for new clearing, margin and reporting requirements for derivatives transactions and new restrictions on the types of derivatives transactions that can be entered into by certain financial companies. The ultimate impact of these regulatory changes remains unclear because much is left to rule making by the CFTC and the SEC; however, these new requirements could mean that a Client will face less creditworthy counterparties on certain derivatives transactions. Also, the new legislation may limit the flexibility of a Client to protect its interests in the event of an insolvency of a derivatives counterparty, because of powers granted to clearinghouses and to the Federal Deposit Insurance Corporation to limit or delay close-out of derivatives positions of insolvent clearing members or financial companies and to transfer such positions to other entities.

Certain derivatives transactions that may be used by a Client, including certain interest rate swaps and credit default index swaps, will be required to be cleared. In a cleared derivatives transaction, a Client's counterparty to the transaction is a central derivatives clearing organization, or clearing house, rather than a bank or broker. Because the Clients are not members of a clearing house, and only members of a clearing house can participate directly in the clearing house, the Clients will hold cleared derivatives transactions through accounts at clearing members, who are futures commission merchants who are members of the clearing houses. A Client will make and receive payments owed under cleared derivatives transactions (including margin payments) through its accounts at clearing members. A Client's clearing members guarantee a Client's performance of its obligations to the clearing house. In contrast to bilateral derivatives transactions, following a period of advance notice to a Client, clearing members can generally require termination of existing cleared derivatives transactions at any time and increase the amount of margin required to be provided by a Client to the clearing member for any cleared derivatives transaction above the amount of margin that was required at the beginning of the transaction. Any such termination or increase could interfere with the ability of a Client to pursue its investment strategy. Also, a Client is subject to execution risk if it enters into a derivatives transaction that is required to be cleared (or which the Adviser expects to be cleared), and no clearing member is willing to clear the transaction on a Client's behalf. In that case, the transaction might have to be terminated, and a Client could lose some or all of the benefit of any increase in the value of the transaction after the time of the trade.

*Fixed-Income Securities.* Clients invest primarily in equity securities. However, subject to any applicable guidelines and/or restrictions in the Governing Documents, a Client may invest in bonds or other fixed-income securities, including, without limitation, commercial paper and "higher yielding" (and, therefore, higher risk) debt securities. Such securities may be below "investment grade" and may face ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the

issuer's inability to meet timely interest and principal payments. The market values of certain of these lower-rated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue lower-rated debt securities often are highly leveraged and may not have access to more traditional methods of financing. Trading in such securities may be limited or disrupted by an economic recession, resulting in an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn could affect adversely the ability of the issuers of such securities to repay principal and pay interest thereon and, therefore, increase the incidence of default for such securities.

*Pooled Investment Vehicles and Pass-through Entities.* On behalf of its Clients, the Adviser does not generally seek to invest in pooled investment vehicles and pass-through entities. However, subject to any applicable guidelines and/or restrictions in the Governing Documents, should the Adviser believe it would benefit a Client and deem such investment to be comparable to an investment in an operating company, a Client has in the past and may in the future invest in other pooled investment vehicles or pass-through entities, including registered and unregistered REITs, master limited partnerships and other registered and unregistered vehicles ("Pooled Investment Vehicles"). When a Client makes any investments in unregistered Pooled Investment Vehicles (including unregistered REITs), the Adviser (or its designee) generally expects to waive, in its sole discretion, its right to receive Management Fees and Incentive Allocations from such Client in respect of such investments to the extent necessary to ensure that no Client bears aggregate fees or incentive allocations in respect of such investments in excess of the fees and allocations ordinarily borne by such Clients with respect to a Fund or an Account.

A Client may invest in certain Pooled Investment Vehicles either directly or through derivatives contracts. To the extent a Client invests directly in Pooled Investment Vehicles and other "pass-through" entities which are treated as partnerships for federal income taxation purposes, a Client must rely on such vehicles to deliver to it certain tax information that is necessary to complete a Client's own tax returns. If this information is not delivered to a Client in a timely fashion, a Client will be delayed in providing tax information to its investors.

If, in the discretion of the Adviser, a particular Client should not be an investor in a Pooled Investment Vehicle for tax or regulatory reasons, an investment by other Clients in such Pooled Investment Vehicle will be allocated only to such Clients not affected by such tax or regulatory reasons. To the extent any Clients are not able to participate in a Pooled Investment Vehicle, a Client who does participate in such vehicle could incur a disproportionate amount of income or loss related to such investment relative to the other Clients who did not participate in the Pooled Investment Vehicle.

*Options.* The Adviser may cause a Client to invest in options. Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. Although an option buyer's risk is limited to the amount of the original investment for the purchase of the option, an investment in an option may be subject to greater fluctuation than is an investment in the underlying securities. In theory, an uncovered call writer's loss is potentially unlimited, but in practice the loss is limited by the term of existence of the call. The risk for a writer of a put option is that the price of the underlying securities may fall below the exercise price. The ability to trade in or exercise options may be restricted in the event that trading in the underlying securities interest becomes restricted.

Unlike exchange-traded options, which are standardized with respect to the underlying instrument, expiration date, contract size and strike price, the terms of over-the-counter options (options not traded on an exchange) are generally established through negotiation with the other party to the option contract. While this type of arrangement allows the Adviser greater flexibility to tailor an option to a Client's needs, over-the-counter options generally involve greater credit risk than exchange-traded options, which are guaranteed by the clearing organization of the exchanges where they are traded.



***Futures and Related Options.*** The Adviser does not presently expect to buy and sell futures contracts and related options on behalf of its Clients; however, the Adviser has the ability, to the extent permitted by applicable law and any relevant Governing Documents, to buy and sell futures contracts and related options on behalf of a Client at any time. A futures contract is an agreement between two parties to buy and sell a specific quantity of a commodity (including a securities index or an interest-bearing security) for a set price at a future date. A Client may also buy and sell call and put options on futures or on securities indexes in addition to or as an alternative to purchasing or selling futures contracts, or, to the extent permitted by applicable law, to earn additional income.

The use of futures and options involves certain special risks. Futures and options transactions involve costs and may result in losses. Certain risks arise because of the possibility of imperfect correlations between movements in the prices of futures and options and movements in the prices of the underlying securities, securities index, currencies, or other commodities or of the securities or currencies in a Client's portfolio that are the subject of the hedge (to the extent a Client uses futures and options for hedging purposes). The successful use of futures and options further depends on a Client's ability to forecast market or interest rate movements correctly. Other risks arise from a Client's potential inability to close out its futures or options positions, and there can be no assurance that a liquid secondary market will exist for any futures contract or option at a particular time. The use of futures and options for purposes other than hedging is regarded as speculative. Certain regulatory requirements may also limit a Client's ability to engage in futures and options transactions.

***Other Instruments and Future Developments.*** On behalf of its Clients, the Adviser may take advantage of opportunities in the area of swaps, options on various underlying instruments, and swaptions and certain other customized synthetic or derivative investments in the future. In addition, on behalf of its Clients, the Adviser may take advantage of opportunities with respect to certain other synthetic or derivative instruments that are not presently contemplated for use by a Client or that are currently not available, but which may be developed to the extent such opportunities are both consistent with such Client's investment objective and Governing Documents and legally permissible for such Client. As a result of such practices, special risks may apply to a Client's investments in the future.

***Cash and Other Investments.*** A Client may invest all or a portion of its assets in cash or cash items, in whole or in part, for investment purposes, pending other investments or as provision of margin for futures or forward contracts. These cash items are generally of high quality at the time of investment and may include a number of money market instruments such as negotiable or non-negotiable securities issued by or short-term deposits with the U.S. and non-U.S. governments and agencies or instrumentalities thereof, bankers' acceptances, high quality commercial paper, repurchase agreements, bank certificates of deposit and short-term debt securities of U.S. or non-U.S. issuers deemed to be creditworthy by the Adviser. While these investments generally involve relatively low risk levels, they may produce lower than expected returns and could result in losses.

***Recourse to Assets.*** A Client's assets, including any investments made by a Client and any funds held by a Client, are generally available to satisfy all liabilities and other obligations of a Client. If a Client becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to a Client's assets generally and may not be limited to any particular asset, such as the asset representing the investment giving rise to the liability.

***Master-Feeder Structure.*** The Main Fund is a master fund in a "master-feeder" structure. While the "master-feeder" structure is intended to reduce cost and administrative complexity, it may not do so, and the Fund might encounter operational or other complications. For example, large-scale redemption by shareholders of the Feeder Vehicle could have an adverse effect on the Fund, such as requiring the liquidation of a substantial portion of the Fund's holdings at the time when it could be disadvantageous to do so. In addition, to the extent the Feeder Vehicle's assets are invested in the Main Fund, certain conflicts of interest may exist due to different considerations applicable to the Fund, the Feeder Vehicle, and their respective investors, including tax, regulatory and other issues.

*Reliance on Management and Key Personnel; Berkshire Relationship.* The Separate Account Clients and the investors in the Funds rely entirely on the Adviser to conduct and manage the affairs of the Clients. The Separate Account Clients and the investors in the Funds have no right or power to take part in the active management and business of the Clients. The Separate Account Clients and the investors in the Funds will not have the opportunity to evaluate for themselves the relevant economic, financial, or other information regarding the investments made by the Clients. Accordingly, no investor should invest in the Clients, or establish an Account, unless such investor is willing to rely on the ability of the Adviser to make appropriate investments for the Clients and entrust all aspects of the management of the Clients to the Adviser.

The investment performance of a Client depends in substantial part upon the skill and expertise of key personnel of the Adviser, including its Managing Directors and others, individually and collectively, providing investment advice with respect to the Clients. There can be no assurance that these key investment professionals will continue to be associated with the Adviser throughout the life of each Client. The loss of key personnel could have a material adverse effect on a Client's ability to realize its investment objectives. Competition in the financial services industry for qualified investment professionals and other personnel is intense, and there is no guarantee that the talents of the Adviser's departing investment professionals could be replaced. The success of each Client depends on the Adviser's ability to identify and willingness to provide acceptable compensation arrangements to attract, retain and motivate talented investment professionals and other personnel. In addition, the Managing Directors of the Adviser are also Managing Directors of Berkshire and of the general partners of the Funds and the current and prior Berkshire Funds. While the majority of the Adviser's Managing Directors' time is focused on the Adviser, they will have demands made on their time for the investment, monitoring, exit strategy and other functions of these entities. Other than as expressly set forth in the Governing Documents, investors will have no right or power to take part in the management of a Client, and, as a result, the investment performance of a Client will depend on the actions of the general partner and the Adviser. In addition, certain changes in the general partner or the Adviser or circumstances relating to the general partner or the Adviser may have an adverse effect on a Client or one or more of its investments including potential acceleration of debt facilities.

The Adviser's investment strategy is currently premised upon its working relationship with Berkshire. If this relationship were to deteriorate, it might have an adverse effect on the Clients' ability to achieve their investment goals. As described in Item 11 below, conflicts of interest between Berkshire and the Clients also exist and may have an adverse effect on the performance of the Clients.

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

*Regulatory Oversight.* The Funds are not registered under the 1940 Act, and, accordingly, investors in the Funds are not afforded the protections of the 1940 Act (which, among other matters, requires registered investment companies to have at least 40% disinterested directors, requires securities held in custody at all times to be segregated and marked to clearly identify the owner of such securities and regulates the relationship between the investment adviser and the investment company). Because securities of the Funds held by brokers or custodians will generally not be held in the Funds' names, a failure of such broker or custodian is likely to have a greater adverse impact on the Funds than if such securities were registered in the Funds' names.

The Adviser is not currently registered and does not intend to register with the Commodity Futures Trading Commission ("CFTC") and National Futures Association as a "commodity pool operator" or "commodity trading advisor." The Adviser believes that it is currently exempt from having to register as a commodity pool operator or commodity trading advisor with respect to the Funds pursuant to CFTC Rules 4.13(a)(3)



and 4.14(a)(5), respectively. The Clients will not engage in commodity interest transactions in the absence of CFTC registration or an appropriate exemption from registration.

*Investor and Client Legal, Regulatory and Policy Compliance.* Many Clients and investors in the Funds, including U.S. states, their subdivisions and associated pension plans, have adopted stringent investment policies or are required to comply with local laws and regulations, including so-called “pay-to-play” laws, rules, regulations or policies (which, for example, restrict or require disclosure of payments to, and/or certain contacts with, certain politicians or officials associated with public entities). Such Clients and investors in the Funds may also negotiate for protections that may be more expansive in their requirements than such laws, rules, regulations or policies. In certain cases, violations of these laws, rules, regulations or policies, whether as a result of the conduct of the Adviser, or because of an action taken by a Portfolio Company or a investor in a Fund or their personnel, could have an adverse effect on the Clients by, for example, providing the basis for such investor to withdraw from the Funds.

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

*Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes.* As a registered investment adviser under the Investment Advisers Act of 1940 (as amended, the “Advisers Act”), the Adviser is required to comply with a variety of periodic reporting and compliance-related obligations under applicable federal and state securities laws (including the obligation of the Adviser to make regulatory filings with respect to the Clients and its activities under the Advisers Act (including Form PF and Form ADV)). In light of the heightened regulatory environment in which the Adviser operates and the ever increasing regulations applicable to private investment funds and their investment advisers, it has become increasingly expensive and time consuming for the Adviser to comply with such regulatory reporting and compliance-related obligations. Any further increases in the regulations applicable to private investment funds generally or to the Clients and/or the Adviser in particular may result in increased expenses associated with a Client’s activities and additional resources of the Adviser being devoted to such regulatory reporting and compliance-related obligations, which may reduce overall returns for Clients or have an adverse effect on the ability of the Clients to effectively achieve their investment objectives.

*SEC Private Fund Rules.* The SEC has proposed and enacted significant rules that will impact the business of the Adviser and the Clients. In particular, the SEC has adopted a number of new rules that impose significant changes on private fund advisers and their management of private funds, and the SEC is expected to propose and/or adopt additional rules in the future. Such current and future rulemaking is expected to materially impact the Adviser and its affiliates, the Clients and/or their investments.

On August 23, 2023, the SEC adopted new rules and amendments (collectively, the “SEC Private Fund Adviser Rules”) to existing rules under the Investment Advisers Act specifically related to advisers to private funds. In particular, the SEC Private Fund Adviser Rules: (i) require quarterly reporting by registered private

fund advisers to investors concerning performance, and fees and expenses; (ii) require registered advisers to obtain an annual audit for private funds; (iii) require registered advisers to obtain a fairness opinion or a valuation opinion and make certain disclosures in connection with adviser-led secondary transactions (also known as GP-led secondaries); (iv) impose limitations and new disclosure requirements regarding preferential treatment of investors in private funds in side letters or other arrangements with an adviser; and (v) prohibit advisers to private funds from taking certain actions without providing disclosures to investors and, in some cases, without obtaining investor consent. The SEC Private Fund Adviser Rules are expected to have a significant effect on the Adviser, the Clients, and their operations, including increasing compliance burdens and associated regulatory costs, including increased investor reporting and disclosures to investors, and enhancing the risk of regulatory action, including public regulatory sanctions and may result in a change to the Clients' practices and create additional regulatory uncertainty. Significant time and resources are expected to be required to comply with the SEC Private Fund Adviser Rules, which potentially will detract from the time and resources dedicated to the Clients. In addition, such regulations will require the Adviser to disclose to prospective and/or current investors certain preferential investment terms that the Adviser provides to any investor in connection with its investment in the Clients, which could cause the Adviser to deny certain preferential terms to investors. Further, many provisions of the Private Funds Rules require the Adviser to make a variety of subjective determinations as to whether and how such rules apply to a Client and the Adviser's related obligations. The Adviser will face conflicts of interest in making such determinations, including for example with respect to whether certain fees and expenses may be charged to a Client, whether certain provisions may have a material negative impact on certain investors and whether certain allocations are fair and equitable. The SEC Private Fund Adviser Rules are currently subject to legal challenge from private fund industry groups and others, and could become subject to additional legal challenges. To the extent such legal challenges are successful, investors will not be afforded some or all of the protections provided by such rules.

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

*Privacy Law Compliance Risk.* The adoption, interpretation, and application of Privacy Laws could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and current and planned business activities of the Adviser, the Clients and/or their Portfolio Companies, and as such could increase costs and require the dedication of additional time and resources to compliance for such entities. A failure to comply with such Privacy Laws by any such entity or their service providers could result in fines, sanctions, or other penalties, which could materially and adversely affect the results of operations and overall business as well as have a negative impact on reputation and Client performance. As Privacy Laws are implemented, interpreted, and applied, compliance costs for the Adviser, the Clients and/or their Portfolio Companies, are likely to increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

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

*Custody and Banking Risks.* The Clients will maintain funds with one or more banks or other depository institutions ("banking institutions"), which may include US and non-US banking institutions, and may enter into credit facilities or have other financial relationships with banking institutions. The distress, impairment

or failure of one or more banking institutions with whom the Clients, the general partners and/or the Adviser transact may inhibit the ability of the Clients to access depository accounts or lines of credit at all or in a timely manner. In such cases, the Clients may be forced to delay or forgo investments, resulting in lower performance for the Clients. In the event of such a failure of a banking institution where a Client holds depository accounts, access to such accounts could be restricted and U.S. Federal Deposit Insurance Corporation (FDIC) protection may not be available for balances in excess of amounts insured by the FDIC (and similar considerations may apply to banking institutions in other jurisdictions not subject to FDIC protection). In such instances, the Clients may not recover such excess, uninsured amounts and instead, would only have an unsecured claim against the banking institution and participate pro rata with other unsecured creditors in the residual value of the banking institution's assets. 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 Clients. One or more investors in a Client could also be similarly affected and unable to fund capital calls, or may seek to redeem or accelerate withdrawals from a Client, further delaying or deferring new investments. In addition, the Adviser 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.

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

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

## **Item 9. Disciplinary Information**

Item 9 is not applicable to the Adviser.

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

### **Related General Partner**

An affiliate of the Adviser serves as a general partner of each of the Funds structured as a partnership. For a description of material conflicts of interest created by the relationship between the Adviser and the general partner, as well as a description of how such conflicts are addressed, please see Item 11 below.

### **Affiliated Adviser**

The Adviser considers the relationship with its affiliated adviser, Berkshire, to be material to its advisory business. Berkshire is separately registered as an investment adviser with the SEC and, like the Adviser, is a wholly-owned subsidiary of BPSP, L.P. Berkshire primarily invests in privately held securities and generally seeks to obtain governance rights in its investments. For a description of material conflicts of interest created by the relationship between the Adviser and its affiliated adviser, as well as a description of how such conflicts are addressed, please see Item 11 below.

### **Affiliated Pooled Investment Vehicles**

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

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

### **Code of Ethics**

The Adviser has adopted a written code of ethics (the "Code of Ethics") that is applicable to (i) all of its Managing Directors, principals, partners, officers (or any person performing similar functions) and employees and other personnel; (ii) every natural person (whether or not an employee of the Adviser) that is subject to the Adviser's supervision and control that (a) has access to nonpublic information regarding a Client's purchase or sale of securities, (b) is involved in making securities recommendations to a Client, or (c) has access to nonpublic securities recommendations to a Client, as well as officers and employees of Berkshire and certain independent contractors; and (iii) members of the household of any of the natural persons listed under (i) and (ii) (collectively, "Adviser Personnel"). The Code of Ethics, which is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 (as amended, the "Advisers Act"), establishes guidelines for professional conduct and personal trading procedures, including certain preclearance and reporting obligations. The Code of Ethics prohibits Adviser Personnel (other than certain Advisory Directors of Berkshire) from purchasing certain "covered securities" for their own accounts. Under the Code of Ethics, Adviser Personnel are also required to file certain periodic reports with the Adviser's Chief Compliance Officer ("CCO") as required by Rule 204A-1 under the Advisers Act. The Code of Ethics helps the Adviser detect and prevent potential conflicts of interest.

Adviser Personnel who violate the Code of Ethics may be subject to remedial actions, including, but not limited to, unwinding of any applicable trade, profit disgorgement, fines, censure, demotion, suspension or dismissal. Adviser Personnel are also required to promptly report any violation of the Code of Ethics of

which they become aware. Adviser Personnel are required to annually certify compliance with the Code of Ethics.

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

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

The Adviser, certain employees of the Adviser and Berkshire and certain Adviser Personnel to Berkshire 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, typically will waive or reduce all or a portion of the Management Fee and Incentive Allocation related to investments held by such persons. In addition, certain employees or other related persons of the Adviser and Berkshire are investors in, or managers of, certain investors in the Funds. This creates a conflict of interest, as the Adviser may be incentivized to give such investors preferred terms with respect to its investment in a Fund. For further details regarding these arrangements, as well as conflicts of interest presented by them, please see “*Conflicts of Interest*” immediately below.

In addition, because the Feeder Vehicles invest in other Funds, they may be viewed as being solicited to invest in such Funds.

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

## **Conflicts of Interest**

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

### ***Resolution of Conflicts***

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

- A Client will not make an investment unless the Adviser believes that such investment is an appropriate investment considered from the viewpoint of such Client;



- Many important conflicts of interest will generally be resolved by set procedures, restrictions or other provisions set forth in a Client's Governing Documents and/or in the Adviser's Compliance Policies and Procedures Manual;
- Conflicts of interest related to the allocation of opportunities between the Clients, on one hand, and the pooled investment vehicles advised by Berkshire, on the other hand, are mitigated because the Clients generally pursue different investment strategies from the pooled investment vehicles advised by Berkshire;
- Where the Adviser deems appropriate, unaffiliated third parties may be used to help resolve conflicts, such as the use of an investment banker to opine as to the fairness of a purchase or sale price; and
- Prior to subscribing for interests in a Fund, each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of the Fund.

In addition, certain provisions of a Fund's Governing Documents are designed to protect the interests of investors in situations where conflicts may exist, although these provisions do not eliminate such conflicts. In certain instances, some of such conflicts of interest may be resolved in a manner adverse to a Fund and its ability to achieve its investment objectives. While the Adviser endeavors to resolve all conflicts in a fair and impartial manner, there can be no assurance that its own interests will not influence its conduct and decisions. In addition, there can be no assurance that the Adviser will identify or resolve all conflicts in a manner that is favorable to a Fund and Fund investors are not generally entitled to receive notice or disclosure of the actual occurrence of conflicts or have any right to consent to them as they arise.

### *Conflicts*

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

Subject to complying with the personal investment policies contained within the Adviser's Code of Ethics, the Adviser's personnel reserve the right to manage their own personal investments, whether or not through a formal family office or estate planning structure; to establish trusts, endowments, charitable programs, foundations, or similar arrangements; and to pay or receive compensation relating to the foregoing. The Adviser's investment staff and other personnel will continue to manage and monitor such personal investments until their realization or other disposition. Such other investments that the Adviser's principals expect to make from time to time generally have the potential to compete with companies acquired by a Fund. To the extent an investment opportunity is received that is unsuitable for a Fund, in the Adviser's sole discretion, the Adviser and its personnel reserve the right to refer such opportunity to third parties or to make personal investments in the relevant opportunity. Unless restricted by the relevant Governing Documents, and subject to internal approval, the Adviser's personnel may be permitted to serve on boards or act in other roles unaffiliated with the Adviser, the Funds, or their portfolio companies, including boards of charitable and educational institutions, public or private companies, and former portfolio companies, and receive compensation in connection with such services and roles, none of which will offset or otherwise reduce Advisory Fees.

### *Allocation of Investment Opportunities*

In exercising its discretion to allocate investment opportunities and fees and expenses, the Adviser may be faced with a variety of potential conflicts of interest. For example, in allocating an investment opportunity among Clients with differing fee, expense and compensation structures, the Adviser has an incentive to allocate investment opportunities to the Clients from which the Adviser or its related persons may derive,

directly or indirectly, a higher fee, compensation or other benefit. While the Adviser determines how to allocate investment opportunities using its best judgment, considering such factors as it deems relevant, but in its sole discretion, there can be no assurance that a Client's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made will be as favorable as they would be if the conflicts of interest to which the Adviser is subject, discussed herein, did not exist. Further, if, in the discretion of the Adviser, a Client should not participate in a particular investment opportunity for tax or regulatory reasons, such investment opportunity will be allocated only to other Clients not affected by such tax or regulatory reasons. To the extent an investment is not allocated pro rata, the Clients participating in such an investment opportunity could incur a disproportionate amount of income or loss related to such investment relative to any other Clients.

The appropriate allocation among the Clients, any Berkshire Funds and the Adviser of expenses and fees generated in the course of evaluating potential investments that are not consummated, such as out-of-pocket expenses associated with due diligence, attorney's fees and the fees of other professionals will be determined by the Adviser in its sole discretion.

Certain Adviser Personnel invest, either indirectly or directly, in Funds and, therefore, participate in investments made by the Funds in which they invest. Although the Adviser believes these investments serve to align the interests of Adviser Personnel with those of the Funds, individual and aggregate interests will vary Fund by Fund. The existence of these varying circumstances may present potential conflicts of interest in determining how much, if any, of certain investment opportunities to offer to a Fund, including an incentive to allocate particularly attractive investment opportunities to the Fund in which such personnel hold a greater interest.

#### *Investments by the Clients and the Berkshire Funds*

There may be a conflict of interest in the allocation of investment opportunities among the Clients and the Berkshire Funds. The Adviser and its affiliates (including Berkshire) intend to allocate investment opportunities in a manner which is believed to be appropriate and in the best interests of all the entities involved. While allocations among Clients investing in parallel are generally made on a *pro rata* basis in proportion to the relative equity of each, there can be no assurances that an investment opportunity which comes to the attention of the Adviser and its affiliates (including Berkshire) will not be allocated wholly or primarily to one or more Clients or Berkshire Funds, with any particular Client being unable to participate in such investment opportunity or participating only on a limited basis.

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

Clients from time to time invest in conjunction with an investment being made or sold by other Clients or Berkshire Funds or in a transaction in which another Client or Berkshire Fund has previously made or concurrently will make an investment. Conflicts may arise in connection with such investments. Investment



opportunities may be appropriate for Clients and/or Berkshire Funds at the same, different, or overlapping levels of a Portfolio Company's capital structure. Conflicts could arise in determining the terms of investments, particularly if a Client and a Berkshire Fund, were to invest in different types of securities in a single portfolio investment, if such investments were to be acquired by a Client and such affiliates, at different times at or at different prices or due to differences in their respective timing of entry into, or exit from, a portfolio investment for reasons such as differences in strategy or existing portfolio liquidity needs. In such event, the interests of the Clients and/or Berkshire Funds will not always be aligned, which gives rise to conflicts of interest. In pursuing such strategies, the Adviser will evaluate for the relevant Client(s) and/or such affiliates a variety of factors which may be relevant in determining whether a particular investment opportunity is appropriate and feasible for each such Client or such affiliates, including the nature of the investment opportunity taken in the context of market conditions at the time, consistent with the Governing Documents for the applicable Client(s), and consistent with the allocation policies and procedures adopted by the Adviser. The application of the Clients' Governing Documents, and the Adviser's policies and procedures are expected to vary based on the particular facts and circumstances surrounding each investment by one or more Clients and/or Berkshire Funds in different classes of an issuer's capital structure (as well as across multiple issuers or borrowers within the same overall capital structure) and, as such, there could be a degree of variation and potential inconsistencies in the manner in which potential or actual conflicts are addressed.

In addition, there may be circumstances under which the Adviser or its affiliates (including Berkshire) will consider participation by certain Clients or Berkshire Funds in investment opportunities in which the Adviser does not intend to invest, or intends to invest only on a limited basis, on behalf of certain other Clients. Investments by a Client and a Berkshire Fund in securities of the same issuer may raise the risk of using the assets of such Client to support positions taken by a Berkshire Fund. The Adviser and its affiliates (including Berkshire) will evaluate for each Client or Berkshire Fund a variety of factors which may be relevant in determining whether a particular investment opportunity is appropriate and feasible for each Client or Berkshire Fund at a particular time, including the nature of the investment opportunity taken in the context of the other investments at the time, the potential liquidity of the investment relative to the needs of the particular investing entity, the investment or regulatory limitations on the particular investing entity and the transaction costs involved. Because these considerations will generally differ for each Client and one or more of the Berkshire Funds in the context of any particular investment opportunity, investment activities of the Clients may differ considerably from time to time, and investment activities of the Clients and Berkshire Funds will generally differ considerably as a result of the different investment focus of the Clients and the Berkshire Funds. In addition, where an investment opportunity may be appropriate for a Client but is of the type of investment made by Berkshire Funds (e.g., private company investments and/or investments in public companies with representation on the board of directors and/or other active governance roles), it will typically be offered first to such Berkshire Funds.

As discussed below in "Other Strategies," the Adviser or its affiliates has in the past and continues to pursue investment strategies that it believes are complementary to the business of the Adviser, including, but not limited to, debt financing investments (e.g., bank loan participations or assignments, bonds, mezzanine debt or similar investments). For purposes of this "Investments by the Clients and the Berkshire Funds" any such future pooled investment vehicles raised by the Adviser or its affiliates to pursue such other investment strategies are also referred to herein as the "Clients".

Conflicts may arise in determining the terms of investments, particularly where a Client and a Berkshire Fund may invest in different types of securities in a single company. Questions could arise as to what action should be taken when a portfolio investment is in financial distress, including the structuring of, or exercise of rights with respect to, investment transactions and the timeframe for and method of exiting the investment, whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced or restructured, whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring may raise conflicts of interest. In the event that another Client or a Berkshire Fund has a controlling or significantly influential position in a Portfolio Company, it will often have the ability to elect

some or all of the board of directors of such a Portfolio Company, thereby controlling or influencing the policies and operations, including the appointment of management, future issuances of securities, payment of dividends, incurrence of debt and entering into extraordinary transactions. In addition, the controlling Client or Berkshire Fund is likely to have the ability to determine, or influence, the outcome of operational matters and to cause, or prevent, a change in control of such a Portfolio Company. Such management and operational decisions may, at times, be in direct conflict with another Client that has invested in the same Portfolio Company that does not have the same level of control or influence over the Portfolio Company. A Client or a Berkshire Fund may invest in bank debt and securities of companies in which the other holds securities, including equity securities, and their interests may be in conflict, particularly in circumstances where the underlying company is facing financial distress. The involvement of a Client and a Berkshire Fund at both the equity and debt levels could inhibit strategic information exchanges among fellow creditors. In certain circumstances, a Client or a Berkshire Fund may be prohibited from exercising voting or other rights and may be subject to claims by other creditors with respect to the subordination of their interest.

In addition, where more than one Client or a Client and a Berkshire Fund invest in the same Portfolio Company, there can be no assurance that such parties will dispose of investments at the same time and on the same terms. Investments disposed of at different times will likely be disposed of at different valuations and, as a result, each Client may realize different returns as compared to the same investment held by another Client. These variations in timing may be detrimental to a Client.

The application of a Client's Governing Documents and the Adviser's policies and procedures are expected to vary based on the particular facts and circumstances surrounding each investment by two or more Clients 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.

### *Other Strategies*

The Adviser or its affiliates (including Berkshire) has in the past and continues to pursue investment strategies that it believes are complementary to the business of the Adviser, including, but not limited to infrastructure investments and debt financing investments (e.g., bank loan participations or assignments, bonds, mezzanine debt or similar investments), and including, without limitation, minority investments in or related to the debt financing of an issuer in which a Client has invested. These alternative investing strategies differ from that of the Clients, and conflicts of interest could arise among the Clients and their affiliates that invest in such securities. If such complimentary investing strategies are pursued, there may be a conflict of interest in the allocation of investment opportunities among the Clients and such affiliates. In such event, the Adviser will evaluate for the Clients or such affiliates a variety of factors which may be relevant in determining whether a particular investment opportunity is appropriate and feasible for the Clients or such affiliates, including the nature of the investment opportunity taken in the context of market conditions at the time, consistent with the Governing Documents for the applicable Client, and consistent with the allocation policies and procedures adopted by the Adviser.

On behalf of a Client, the Adviser or its affiliates may occasionally evaluate an investment in the debt securities of an issuer in which other Clients or certain Berkshire Funds have invested, and a Client may invest in an issuer in which such affiliates have previously made or concurrently will make an investment (including debt investments). Investments made by such affiliates and such a Client would likely be in different parts of an issuer's capital structure, including with respect to seniority, interest rates, security, dividends, voting rights and participation in liquidation proceeds. In addition, such investments could be acquired by such Client and such affiliates at different times or at different prices. As a result, the interests and/or investment objectives of such Client and such affiliates may differ in the case of financial distress of such an issuer, including the structuring of, or exercise of rights with respect to, investment transactions and the timeframe for and method of exiting the investment. In certain circumstances, the Adviser may be required to abstain from exercising its voting rights with respect to a portfolio investment of a Client, where exercising such voting rights could conflict with the interests of an affiliate. In addition, there may be

differences in timing of entry into, or exit from, an investment for reasons such as differences in strategy, existing portfolio or liquidity needs. These variations in timing may be detrimental to a Client.

Please see “Investments by the Clients and the Berkshire Funds” above for a description of other conflicts that may arise when more than one Client, or a Berkshire Fund invests in overlapping layers of the capital structure of an investment.

### *Cross-Transactions*

The Adviser may cause a Client to purchase investments from another Client or Berkshire Fund, or it has in the past and may in the future cause a Client to sell investments to another Client or Berkshire Fund. Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, a Client may not receive the best price otherwise possible, or the Adviser might have an incentive to improve the performance of one Client by selling underperforming assets to another Client in order, for example, to earn fees. Additionally, in connection with such transactions, the Adviser, Berkshire and/or their professionals (i) may have significant investments, or intentions to invest, in a Fund that is selling and/or purchasing such an investment or (ii) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment). The Adviser and Berkshire may receive management or other fees in connection with their management of the relevant Client involved in such a transaction and may also be entitled to share in the investment profits of the relevant Client. To address these conflicts of interest, the Adviser will ensure that it (i) considers its respective duties to each Client, (ii) determines whether the purchase or sale and price or other terms are comparable to what could be obtained through an arm's length transaction with a third party, whether or not part of a formal fairness opinion, “request for proposal” process, or proposal or quotation provided exclusively for the benefit of the Adviser, and (iii) obtains any required approvals of the transaction's terms and conditions.

Clients will enter from time to time into “rebalancing” transactions with one or more other Clients that have the same investment objectives as such Client when contributions or withdrawals of capital to or from either such Client or the other Clients change the ratio of such Client's assets to the assets of other Clients. The purpose of any such rebalancing transactions is to bring each Client's exposure to a commonly held investment into line with each Client's percentage of total equity under management. A Client could be a purchaser or a seller in such rebalancing transactions. All “rebalancing” transactions between Clients (i) are effected for cash consideration at the current market price of the particular securities, (ii) do not involve restricted securities or securities for which market quotations are not readily available, and (iii) if executed through a broker, generally do not involve any brokerage commission fee (except for customary transfer fees and brokerage fees for transactions involving U.S. options or certain non-U.S. equities or where some or all of a position is in a swap) or other remuneration. All “rebalancing” transactions are subject to any restrictions contained in the applicable Advisory Agreements.

### *Principal Transactions*

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

## *Management of the Funds*

The Adviser manages a number of Funds and Account(s) that typically have investment objectives similar to each other. The Adviser expects that it or its personnel will in the future establish one or more additional investment funds or accounts with investment objectives substantially similar to, or different (and potentially conflicting) from, those of the current Clients. Allocation of available investment opportunities between Clients and any such investment fund or account could give rise to conflicts of interest. See “*Allocation of Investment Opportunities*” above. In addition, it is expected that Adviser Personnel and its affiliates responsible for managing a particular Fund or Account will have responsibilities with respect to other Funds or Accounts managed by the Adviser (and, in the case of certain employees, with respect to Berkshire Funds), including funds or accounts that may be raised or established in the future. Conflicts of interest may arise in allocating time, services or functions of Adviser Personnel. Adviser Personnel have an incentive to allocate more time, services or functions to Clients from which such personnel derive a higher economic benefit and/or better performing Clients.

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

In addition, the Adviser may, consider an investment opportunity for one Client and then subsequently determine to have another Client or Berkshire Fund make the investment. Conflicts of interest arise in connection with such a reallocation, including those set forth above under “*Allocation of Investment Opportunities*”. In addition, a conflict of interest exists because the investing Client will benefit from the initial evaluation, investigation and due diligence undertaken by the Adviser on behalf of the original Client for which the investment was initially considered. In certain cases, such reallocation determination could occur after a significant period of time has passed and the Client to which the investment was originally allocated has incurred substantial out-of-pocket expenses in connection with evaluating, investigating, and diligencing such investment. The investing Client may be required to reimburse the original Client for such expenses. In the event that the investing Client does reimburse the original Client for out-of pocket expenses incurred in connection with evaluating, investigating and diligencing such investment, the investing Client may pay interest on any such amounts reimbursed to the original Client. If the investing Client does pay interest on such amounts to the initial Client, there can be no assurance any such interest will be paid over at the same time as such reimbursement or that the amount of such interest will be sufficient to compensate the original Client for the time since it deployed capital to pay such expenses. The Adviser experiences conflicts of interest in connection with causing one Client to incur expenses that may ultimately benefit another Client (or Berkshire Fund), and similarly experiences conflicts of interest in determining the need for, calculating the amount of, and effecting any such reimbursement, as such arrangements may involve the discharge of a liability that one Client (or Berkshire Fund) owes to another Client, and in all such cases these determinations, calculations, and terms are not arm’s length arrangements and there can be no assurance that the allocation of such expenses is in the best interest of the Clients. There can be no assurance that the amounts reimbursed to the original Client will be commensurate with the benefit received by the investing Client.

## *Access to Insider Information*

As a result of participation by representatives of Berkshire or the Adviser on boards of certain companies, and/or as a result of confidentiality agreements or non-disclosure agreements entered into by Berkshire or the Adviser, the Adviser may acquire confidential or material, non-public information or be restricted from

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

In addition, the Adviser and Berkshire receive and generate various kinds of company data and other information, including information related to financial, industry, market, business operations, trends, budgets, customers, suppliers, competitors and other metrics, some of which is sometimes referred to as "big data." This information may, in certain instances, include material, non-public information received or generated in connection with efforts on behalf of one Client's or a Berkshire Fund's investment (or prospective investment) in a Portfolio Company. As a result, the Adviser may be better able to anticipate macroeconomic and other trends, financial opportunities, enhance and improve operations of Portfolio Companies and otherwise develop investment strategies. The Adviser has in the past and is likely in the future to enter into agreements that may limit the distribution and use of such data. Subject to the limitations of such agreements and applicable securities laws, the Adviser, its affiliates, or certain other Clients or the Berkshire Funds may in the future use or benefit from this information without being required to compensate the Client or Berkshire Funds from which such information was obtained. In addition, the Adviser may have an incentive to pursue investments based on the data and information expected to be received or generated from such potential investment. Furthermore, except for (a) contractual obligations to third parties to maintain confidentiality of certain information, (b) policies, practices and procedures designed to ensure confidentiality of trade secrets and (c) compliance with applicable data privacy laws, laws prohibiting insider trading, anti-competition laws and laws protecting national security interests, the Adviser is generally free to use data and information from a Client's activities in its sole discretion for the benefit of the Adviser and other Clients. The Adviser has in the past and is likely in the future to utilize such information, subject to contractual restrictions and applicable securities laws, to benefit the Adviser, its affiliates or certain Clients and Berkshire Funds in a manner that may otherwise present a conflict of interest resulting from the particular facts and circumstances but does not intend to specifically disclose each of such conflicts to the relevant Clients.

The Adviser and Berkshire are considering, and may also enter into, formal or informal arrangements with Portfolio Companies to facilitate the sharing of data and/or data analytics. Subject to applicable legal, regulatory, and contractual requirements, these information sharing arrangements are designed to allow the Adviser, Berkshire, the Clients, the Clients' investments, the Berkshire Funds, and the Berkshire Funds' investments to better discern economic or other trends and developments. If such initiatives are undertaken, the Adviser believes that all Clients will benefit from these arrangements in ways that would be impossible without the ability to aggregate data from across the Adviser's and Berkshire's businesses and the Clients' investments and the Berkshire Funds' investments. However, information sharing may involve conflicts of interest between the Clients, between the Clients and the Berkshire Funds and/or between the Clients or Berkshire Funds and the Adviser or Berkshire. For example, data analytics based on inputs from one portfolio investment may inform business decisions by other Portfolio Companies, or investment decisions by the Adviser and Berkshire, without the source of the data being directly compensated. It is difficult, if not impossible, to measure exactly the benefits any particular entity receives from these kinds of arrangements, or to provide specific and direct monetary compensation for such information. Therefore, the Adviser and Berkshire may utilize such data outside of Client activities in a manner that may provide a material benefit to the Adviser and/or Berkshire, without directly compensating or otherwise benefiting the Clients. As a result, the Adviser may have an incentive to pursue investments (on its own behalf or on behalf of the



Clients) based on the data that may be accessible as a result of owning such investments, and/or to utilize such data in a manner that benefits the Adviser and/or investments held by other Clients.

### *Conflicts Relating to the Adviser*

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

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

The Adviser, Berkshire and their partners, Managing Directors, Adviser Personnel, and affiliates have in the past and may in the future buy securities in transactions offered to but rejected by Clients, or buy securities in transactions that were not available at appropriate levels for Client investment. A conflict of interest may arise because such investing Adviser Personnel will, for some investments, benefit from the evaluation, investigation and due diligence undertaken by the Adviser on behalf of a Client. In such circumstances, the investing Adviser Personnel will share or reimburse the relevant Client(s) and/or the Adviser for any expenses incurred in connection with the investment opportunity in a manner the Adviser deems to be fair and equitable. In addition, Adviser Personnel also buy securities and hold interests as passive investors in other investment vehicles (including venture capital funds, hedge funds, real estate funds, private equity funds and other similar investment vehicles) which may include potential competitors of the Adviser and/or which may invest in similar industries and sectors as the Adviser. Such Adviser Personnel have a conflict of interest with respect to their personal investment holdings. There could be situations in which such investment vehicles invest in the same Portfolio Companies as the Client's investments, and there may be situations in which such investment vehicles purchase securities from, or sell securities to, a Client. Such transactions are subject to the policies and procedures set forth in the Adviser's Code of Ethics.

By reason of their responsibilities in connection with other activities of the Adviser, certain Adviser Personnel may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. The Clients will not be free to act upon any such information. Due to these restrictions, a Client 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.

Adviser Personnel have family members that are actively involved in industries and sectors in which the Clients invest or have business, personal, financial, or other relationships with companies in such industries and sectors (including service providers described below) or other industries, which gives rise to conflicts of interest. For example, such family members might be officers, directors, personnel, or owners of companies which are actual or potential investments of the Clients or other counterparties of the Clients and the Portfolio Companies. Moreover, in certain instances, the Clients or the Portfolio Companies may purchase or sell companies or assets from or to, or otherwise transact with companies that are owned by such family members or in respect of which such family members have other involvement. 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 the Adviser is not required to select service providers who may have lower

rates (or to engage in any benchmarking of such fees). In most such circumstances, the Clients' Organizational Documents will not preclude Funds from undertaking any of these investment activities or transactions.

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

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

### *Fee Structure*

As discussed above in Item 6, the Adviser is entitled to Incentive Allocations under the terms of the Governing Documents. The existence of the Incentive Allocation creates an incentive for the Adviser to cause the Clients to make more speculative investments than they would otherwise make in the absence of performance-based compensation.

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

### *Service Providers*

The Adviser and/or its affiliates may engage or refer service providers to provide services to the Adviser, the Clients and/or their Portfolio Companies, including services during the due diligence and acquisition process. Such service providers are, in certain circumstances, investors or prospective investors in a Fund or affiliates of such investors, future funds or a current or prior Berkshire Fund, and may include, for example, deal sources, consultants, advisors, industry specialists, lenders, investment or commercial bankers, brokers, attorneys, investment advisers, outside directors, current and former officers and employees of current and former Portfolio Companies, current and former service providers to current and former Portfolio Companies and other investors who provide services (including mezzanine and/or lending arrangements). The engagement of any such service provider may be concurrent with an investor's admission to a Fund, or during the term of such investor's investment in a Fund. This creates a conflict of interest, as the investment by such service providers in a Fund may influence the Adviser in deciding whether to select such a service provider or have other relationships with the Adviser. The Adviser may have a conflict of interest with a Client in recommending the retention or continuation of a service provider to such Client 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 Berkshire Funds or will provide the Adviser or



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

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

Services required by a Client (including some services historically provided by the Adviser or its affiliates to the Clients) may, for reasons of efficiency or other economic considerations be outsourced in whole or in part to third parties or licensed software, in each case in the discretion of the Adviser or its affiliates. The Adviser and its affiliates have an incentive to outsource such services at the expense of the Clients to, among other things, leverage the use of Adviser personnel. Such services may include, without limitation,

information technology, license software, asset management, depository, data processing, administration, custodial, accounting, valuation, compliance, corporate secretarial, director services, regulatory, legal and tax support and other similar services. Outsourcing may not occur universally for all Clients and accordingly, certain costs may be incurred by a Client for a third-party service provider that is not incurred for comparable services by other Clients. The decision by the Adviser to initially perform a service for a Client 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 the Adviser has no obligation to inform such Clients or investors in the Funds of such a change. Such services may also supplement or be performed alongside services performed by the Adviser. In addition, to the extent permitted by the Governing Documents of a Client, certain internal providers (such as internal accountants) may “shadow” or otherwise review the reports of other services provided by such third-parties. The costs and expenses of any such third-party service providers will be borne by the relevant Clients.

#### *Diverse Investor Group*

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

#### *Positions with Portfolio Companies*

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

As described in Item 5 above, the Adviser and/or its Managing Directors are on occasion entitled to receive directors fees, options or other equity incentive compensation for such board service. To the extent such Portfolio Company is also a company in which a Berkshire Fund is invested, a portion of such compensation, which is paid to the Adviser (or its affiliates) directly, may be credited against the fees payable to such Berkshire Funds, but the Adviser's Clients may not receive a similar benefit.

In addition, to the extent a Client's Portfolio Company is also a company in which a Berkshire Fund is invested, Berkshire (and its employees) from time to time perform services for, and receive options or other equity compensation, as well as expense reimbursements, from such actual or prospective Portfolio Companies or other investment vehicles of the Berkshire Funds. This creates a conflict of interest between the Adviser, on the one hand, and its Clients and their investors, on the other, because the amounts of this compensation and these reimbursements to Berkshire may be material, and the Clients and their investors do not have an interest in this compensation and these reimbursements. Except as required by applicable law, the amount of such compensation and reimbursements to Berkshire also may not be disclosed to investors in the Funds or Separate Account Clients. The Adviser will not be obligated to reduce the amount

of Management Fees paid by the applicable Client in connection with the receipt by Berkshire of fees for Related Services in connection with such Portfolio Companies.

### *Side Letter Agreements*

Although none of the Funds' investors has entered into a Side Letter as of the date of this Brochure, the Adviser, on behalf of a Fund, may, in the future, enter into certain Side Letter arrangements with certain investors in a Fund providing such investors with additional or different rights or terms than such investor would otherwise have pursuant to the applicable Governing Document or such investor's subscription agreement. If any such Side Letters are entered into, certain investors will receive additional rights that other investors will not receive at the expense of the relevant Fund, or of investors as a whole. To the extent permitted by applicable law, the Adviser on behalf of a Fund will not notify any or all of the other investors of any such Side Letters or any of the rights or terms or provisions thereof, and the Adviser will not be required to offer such additional or different rights or terms to any or all of the other investors. The Adviser, on behalf of a Fund, will enter into such Side Letters with any party as it may determine in its sole discretion at any time. Other investors will have no recourse against such Fund or any of its affiliates in the event that certain investors receive additional or different rights or terms as a result of such Side Letters.

### *Separate Account Agreements*

Separate Account Clients generally negotiate the terms pursuant to which the Adviser manages such Client's Account. The Advisory Agreement between the Adviser and a Separate Account Client typically provides for additional or different rights or terms than those available to investors in the Funds, even though the Adviser generally invests such Accounts in parallel with the Funds.

### *Advisory Affiliates*

As described in Item 10 above, Berkshire, an affiliate of the Adviser, has its own clients. Although Berkshire focuses primarily on a different investment strategy than the Adviser, clients of the Adviser and Berkshire are invested in, and may in the future invest in, the same Portfolio Companies, including in the same security or in different securities of a Portfolio Company. Interests of the Clients may therefore conflict with the interests of the clients of Berkshire. For instance, see "*Allocation of Investment Opportunities*" and "*Investments by the Clients and the Berkshire Funds*" above for more information.

### *Valuation by the Adviser*

Securities for which no market prices are available will be valued at such value as the Adviser may reasonably determine. All other assets of the Clients (except goodwill, including the name of such Client, which will not be taken into account) will be assigned such value as the Adviser may reasonably determine. The exercise of such discretion in each of the above cases may give rise to conflicts of interest, since the Incentive Allocation and Management Fee are calculated based on these valuations and such valuations affect performance return calculations.

### *Other Potential Conflicts*

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

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

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

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

The general partner of a Fund has in the past, and may, from time to time in the future, in its sole and absolute discretion, (a) permit requested withdrawals in whole or in part as of dates other than calendar quarter ends, and/or (b) honor withdrawal requests received by the general partner or the administrator in less than time required in the Governing Documents of the Fund. The general partner may elect in its sole and absolute discretion to grant early withdrawal requests from certain investors and not others within the same withdrawal period. In deciding whether to grant such requests, the general partner may consider a variety of factors, including factors relating to its and the Adviser's own self-interest, such as any present or future Management Fee or Incentive Allocation which may be received by the Adviser or the general partner with respect to such limited partner's interest.

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

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

The Adviser has in the past and may, from time to time in the future, cause one or more Funds to purchase, and/or bear premiums, fees, costs and expenses (including any expenses or fees of insurance brokers) for insurance to insure the applicable Funds, the applicable general partner, the Adviser and/or their respective directors, officers, employees, agents, representatives, members of the advisory committee and other indemnified parties, against liability in connection with the activities of the Funds. This may include a portion of any premiums, fees, costs and expenses for one or more "umbrella" or other insurance policies maintained by the Adviser that cover one or more Funds and/or the Adviser (including their respective

directors, officers, employees, agents, representatives, members of the advisory committee and other indemnified parties). The Adviser will seek to make judgments on a fair and reasonable basis about the allocation of premiums, fees, costs and expenses for such insurance policies among one or more Funds, and/or the Adviser, and may make corrective allocations should it determine subsequently that such corrections are necessary or advisable. There can be no assurance that a different allocation would not result in a Fund bearing less (or more) premiums, fees, costs and expenses for insurance policies.

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

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

## **Item 12. Brokerage Practices**

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

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

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

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

### **Research and Other Soft Dollar Benefits**

The Adviser may be authorized to use soft dollars with respect to certain Clients, although with respect to others, the Adviser may be required to provide notice or obtain the consent of a Client before using soft dollars to pay for research or services provided by persons other than the Clients’ brokers. To the extent consistent with achieving best execution and where permitted by the applicable Advisory Agreement, the Adviser may also consider the quality of other business a particular broker or dealer may have done with



the Adviser, such as identifying investment opportunities, performing investment banking services and providing services to the Adviser's principals. The Adviser may "pay up" (e.g., pay a higher commission to execute a trade than the lowest available negotiated commission) using a portion of a broker-dealer's brokerage commission (i.e., soft dollars) for brokerage and research services. Brokerage and research services may either be obtained from brokerage firms or paid for by brokerage firms and may include, but are not limited to, written information and analyses concerning specific securities, companies or sectors; news, quotation, statistics and pricing services, as well as discussions with research personnel and consultants; and software, databases and other technical and telecommunications services and equipment utilized in the investment management process and consulting fees in connection with investigating and monitoring potential and existing investments. Research services may be proprietary research (created or developed by the broker-dealer) and research created or developed by a third party. Research services, whether obtained by the use of commissions arising from a Client's portfolio transactions or paid for by the Adviser and charged to a Client as described above, may on occasion be used by the Adviser for the benefit of other Funds or Accounts. In formulating and implementing its policies with regards to the use of commissions or "soft dollars," it is the Adviser's intent to stay within the parameters of Section 28(e) of the Exchange Act.

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

### **Directed Brokerage**

The Adviser does not have client-directed brokerage arrangements. In the event that the Adviser in the future enters into an Advisory Agreement with a Client that provides for directed brokerage arrangements, such arrangements may deprive such Client of benefits that might otherwise be obtained by "bunching" the Fund's or Account's order with orders for other Funds or Accounts advised by the Adviser. This may result in the Fund or Account paying a higher commission rate or receiving less favorable execution than if the Adviser had discretion to select the broker or negotiate the commission rate, or orders being placed at different times and potentially after orders are placed for Clients who have not implemented directed brokerage arrangements.

### **Aggregation of Orders**

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

there may be circumstances when purchases or sales of portfolio securities for one or more Clients will have an adverse effect on other Clients.

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

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

### **Oversight and Monitoring**

The Adviser provides continuous advisory services for Clients. The portfolio investments of each Client are primarily reviewed by a team of investment professionals, which currently includes the Managing Directors, Principals, Vice Presidents and Associates of the Adviser.

### **Reporting**

The Adviser distributes to investors in the Funds performance updates each month and Capital Account balance updates. The Adviser has engaged an independent public accounting firm to prepare and deliver audited financial statements of the Funds to investors in the Funds, in each case within 120 days of the end of each fiscal year or as soon as reasonably practicable thereafter. At end of each month, the Adviser also furnishes each Separate Account Client with a monthly investment report for its Account that provides detailed information on, among other things, holdings, the value of holdings, acquisitions and dispositions and fees and expenses. Further, at the end of each fiscal year, the Adviser provides a report for each Separate Account Client showing the calculation of such Client's Incentive Allocation for such fiscal year. The Adviser may from time to time, in its sole discretion, provide additional information relating to such Fund to one or more investors in such Fund as it deems appropriate.

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

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

## **Item 15. Custody**

Item 15 is not applicable to the Adviser.

## **Item 16. Investment Discretion**

The Adviser provides investment advice directly to each Fund pursuant to written Advisory Agreements with such Fund and the other Governing Documents of such Fund and not individually to the investors in the Funds. Similarly, the Adviser provides investment advice directly to each Separate Account Client pursuant to a written Advisory Agreement. In each case, the Adviser has discretionary authority to manage the Client's accounts. Powers of attorney and any restrictions on the Adviser's authority are set forth in the Governing Documents or subscription documents with respect to each Fund or Account.

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

The Adviser has established written policies and procedures setting forth the principles and procedures by which the Adviser votes or gives consent with respect to securities owned by a Client ("Votes"). The guiding principle by which the Adviser votes all Votes is to vote in the best interests of each Client by maximizing

the economic value of the relevant Client's holdings, taking into account the relevant Client's investment horizon, the contractual obligations under the relevant Advisory Agreements or comparable documents and all other relevant facts and circumstances the Adviser determines to be appropriate at the time of the Vote. The Adviser does not permit voting decisions to be influenced in any manner that is contrary to, or dilutive of, this guiding principle.

It is the Adviser's general policy to vote or give consent on all matters presented to security holders in any Vote. However, the Adviser reserves the right to abstain on any particular Vote or otherwise withhold its vote or consent on any matter if, in the judgment of the Adviser's CCO, General Counsel or the relevant Adviser investment professional, the costs associated with voting such Vote outweigh the benefits to the relevant Clients or if the circumstances make such an abstention or withholding otherwise advisable and in the best interests of the relevant Clients.

Clients generally cannot direct the Adviser's Vote. However, the Advisory Agreements with respect to certain Separate Account Clients allow such Separate Account Clients to instruct the Adviser to vote a Vote in certain matters. If so instructed, the Adviser is required to follow such instruction, subject to applicable law.

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

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

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

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

## **Item 18. Financial Information**

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

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

Item 19 is not applicable to the Adviser.