

Wellspring Capital Management LLC

Part 2A of Form ADV

The Brochure

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March 2024

This brochure provides information about the qualifications and business practices of Wellspring Capital Management LLC (“Wellspring”) and its relying advisers. Wellspring is registered with the United States Securities and Exchange Commission (the “SEC”) as an investment adviser. Registration as an investment adviser with the SEC does not imply a certain level of skill or training. If you have any questions about the contents of this brochure, please contact us at 212-318-9800. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

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

Material Changes

Wellspring last filed an annual update to Part 2A of its Form ADV in March 2023. Since the last filing in March 2023, there have been no material changes to this brochure. This paragraph speaks only to material changes to this Part 2A since the last annual updating amendment and not to all changes to this Part 2A. Wellspring recommends that all clients or investors carefully review the current version of its Part 2A.

Table of Contents

Material Changes.....	3
Table of Contents	3
Advisory Business	3
Fees and Compensation.....	5
Performance Based Fees and Side-by-Side Management.....	7
Types of Clients.....	7
Methods of Analysis, Investment Strategies and Risk of Loss	7
Disciplinary Information	13
Other Financial Industry Activities and Affiliations	13
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	14
Brokerage Practices	15
Review of Accounts	16
Client Referrals and Other Compensation.....	16
Wellspring receives transaction fees as discussed under “Fees and Compensation” above	16
Custody.....	16
Investment Discretion.....	17
Voting Client Securities	17
Financial Information	17

Advisory Business

Wellspring, through its subsidiaries, provides investment advisory services to the following privately offered funds (collectively, the “Registrant Clients”):

- Wellspring Capital Partners IV, L.P. (together with its related investment vehicles, “WCP IV”);
- Wellspring Capital Partners V, L.P., Wellspring Capital Partners V (Parallel), L.P., its parallel fund, Wellspring Capital Partners V (Cayman I), L.P., Wellspring Capital Partners V (Cayman II), L.P., Wellspring Capital Partners V (Parallel) (Cayman), L.P., Wellspring Capital Partners V (Delaware I), L.P. and Wellspring Capital Partners V (Delaware II), L.P. (collectively and together with their related investment vehicles, “WCP V”); and
- CalPERS Wellspring V, L.P. (“CalPERS”).

WCP IV, WCP V and CalPERS are private equity funds that focus on making investments primarily in private securities. The Registrant Clients are closed to new capital commitments. CalPERS coinvests on a pari passu basis in the same securities and the same portfolio companies as WCP V.

These two funds share various expenses, including broken deal costs. CalPERS does not pay either management fees or carried interest to Wellspring or its affiliates.

Wellspring provides investment advisory services to the Registrant Clients through the following wholly-controlled subsidiaries:

- Wellspring Capital Management IV LLC (“Wellspring Management IV”), which was formed in 2006 and provides investment advisory services to WCP IV; and
- Wellspring Capital Management V LLC (“Wellspring Management V”), which was formed in 2009 and provides investment advisory services to WCP V.

Both Wellspring Management IV and Wellspring Management V are investment advisers that are considered “relying advisers” of Wellspring. Pursuant to SEC guidance, relying advisers are eligible to register with the SEC as investment advisers, but they rely on another adviser to file (and amend) a single umbrella registration on their behalves. Accordingly, as used in this ADV Part 2A, the terms “Registrant” and “Adviser” shall collectively refer to Wellspring, Wellspring Management IV, and Wellspring Management V.

Registrant provides investment advisory services for the Registrant Clients, each of which are privately offered funds which focus primarily on making private equity investments. The Registrant Clients may invest in non-U.S. companies and may hedge their currency risk by purchasing protection, which may take the form of put options, collars and/or forward contracts. Registrant provides investment advisory services in accordance with the constituent documents of each of the Registrant Clients.

Wellspring was legally organized in 2006, but had been doing business through its predecessor entities since 1995. Wellspring is owned by Greg S. Feldman and William F. Dawson, Jr. WCP III, WCP IV, WCP V and CalPERS had initial capital commitments of approximately \$2.9 billion, in the aggregate. As of December 31, 2023, the value of gross invested capital and regulatory assets under management of all Registrant Clients, each of which exclude realizations on investments prior to such date, is approximately \$477,041,738 and \$900,518,098, respectively. Wellspring manages all assets on a discretionary basis. Affiliates of Wellspring also serve as general partners of the Registrant Clients.

In providing services to the Registrant Clients, Wellspring formulates each Registrant Client’s investment objective, directs and manages the investment and, when applicable, reinvestment of each Registrant Client’s assets, and provides periodic reports to the investors in each Registrant Client. Investment advice is provided directly to the Registrant Clients and not individually to the investors of the Registrant Clients. Wellspring manages the assets of each Registrant Client in accordance with the terms and conditions of each Registrant Client’s constituent documents, each of which contains certain restrictions on the types of assets in which the applicable Registrant Client may invest. Investors and prospective investors in a Registrant Client should refer to the applicable constituent documents for complete information on the specific terms, including investment objectives and investment restrictions, applicable to the Registrant Client. There can be no assurance that any of the Registrant Clients’ objectives will be achieved.

Fees and Compensation

Each of WCP IV and WCP V pay management fees to the Registrant in accordance with the terms of their respective offering documents. Management fees are generally payable triannually in advance. Such fees are payable on a pro rata basis for any period that is less than a full four-month period. Fee arrangements vary for the Registrant Clients and are described in the constituent documents for each Registrant Client. Each of the investment advisory agreements or other constituent documents generally provide for an annual management fee of 1.0%-2.0% of either the capital commitments or the actively invested capital of third-party investors in a Registrant Client during the expected life of the Registrant Client. All management fees were negotiated with the Registrant Clients' investors during the fundraising period of the applicable Registrant Client. Wellspring may elect to waive all or a portion of any future management fees payable by the Registrant Clients; any amounts so waived may be applied by the Registrant Clients against amounts due from the applicable general partner and other related persons of Wellspring to the Registrant Clients pursuant to their capital commitments to the Registrant Clients.

Each of WCP IV and WCP V is subject to a carried interest of 20% of profits on distributions derived from the disposition of investments or securities on an investment-by-investment basis (after taking into account expenses of the Registrant Client, including management fees). Investors in each such entity receive an 8% preferred return prior to the imposition of the carried interest (generally calculated based on cumulative cash flows), after which the carried interest "catches up" to 20% of total profits. Subject to any giveback, at the time of each distribution, investments which have suffered a permanent diminution in value, as determined at the discretion of the general partner, must be returned to investors (including the preferred return thereon) before carried interest is owed to the general partner.

In making the determination whether or not, and when, a particular investment has suffered a permanent diminution in value, the Adviser has an incentive to (i) make more speculative investments prior to the end of a Registrant Client's investment period and/or any management fee payment date, (ii) hold investments, or retain and not distribute proceeds longer, or (iii) postpone the decision to permanently diminish the value of an investment, in each case than it otherwise would have if the management fee were solely based on capital commitments in order to receive performance-based compensation earlier and higher management fees or to help with fundraising. The Adviser and its personnel's commitments to a Registrant Client should tend to reduce this incentive.

Registrant may waive or reduce management fees and/or carried interest for Registrant's employees and a limited number of strategic partners and consultants who invest in certain of the Registrant Clients.

In connection with the investments of the Registrant Clients, portfolio companies of the Registrant Clients may pay to Wellspring various transaction fees ("Transaction Fees") and reimbursements of expenses incurred by Wellspring on behalf of the Registrant Clients and/or their portfolio companies. Such fees are retained in full by Wellspring; however, an amount equal to 75-100% of all Transaction Fees (net of expenses) reduce the management fees, if any, otherwise payable by the applicable Registrant Client. Transaction Fees generally include all advisory fees, break-up fees, commitment fees, director's fees, monitoring fees and similar fees, payments or compensation received by Wellspring in connection with an investment or potential investment. These Transaction Fees are usually, but not always, due prior to the time of an exit or sale of a Registrant Client investment. Accordingly, Wellspring may receive Transaction Fees when a Registrant Client does

not ultimately profit from an investment. Pursuant to the terms of the governing documents of certain Registrant Clients, Wellspring may not charge Transaction Fees to the portfolio companies of such Registrant Clients if there are no management fees available to be offset by such Transaction Fees. However, certain of such Transaction Fees may be taken to the extent that they are used to offset expenses otherwise payable by or reimbursable by such Registrant Clients.

All costs and expenses related to the acquisition, carrying or disposition of investments including, but not limited to private placement fees, sales commissions, appraisal fees, taxes, brokerage fees, underwriting commissions and discounts, accounting, market data services (e.g., Capital IQ), legal, investment banking, consulting, information services, professional fees, custodial, trustee, record keeping, partnership reporting, taxes, insurance, telephone, travel (which may, on occasion, include the use of non-commercial planes) and other such expenses are either paid by or reimbursed to Registrant by the Registrant Clients or their portfolio companies. Such fees could include payment to third parties for successfully sourcing deals and could be in the form of cash or equity in the portfolio company, which may be dilutive to investors in the Registrant Clients. In addition, co-investors may not agree to pay or otherwise bear fees, costs or expenses related to unconsummated co-investments. In such event, such fees, costs and expenses will be considered operating expenses of and be borne by the Registrant Clients, as further discussed below.

Wellspring's General Counsel, who also serves as the Chief Compliance Officer, is generally responsible for working on legal matters as needed by Wellspring or the portfolio companies, contract related work, legal due diligence and other legal tasks directly associated with the Registrant Clients and their portfolio companies. A portion of the General Counsel's compensation is borne by the portfolio companies and Registrant Clients based on actual cost and time spent, for the General Counsel's work directly associated with the Registrant's clients or the portfolio companies. Wellspring believes this to be in the best interest of the portfolio companies and the Registrant Clients due to both the technical expertise and understanding that the General Counsel has regarding the Registrant Clients and the savings associated with utilizing the General Counsel instead of relying solely on outside legal counsel. Any legal work performed by the General Counsel for Wellspring (and all work in her capacity as Chief Compliance Officer) will be paid exclusively by Wellspring.

Expenses incurred by members of the respective advisory board ("Advisory Board") of the Registrant Clients in connection with attending Advisory Board meetings may be paid by (or reimbursed to Registrant by) the Registrant Clients. From time to time, Registrant may also retain consulting firms and advisors to conduct due diligence, provide industry analysis and consult on portfolio companies. The related consulting expenses are borne by the Registrant Clients or their portfolio companies. A detailed list of various other expenses paid by the Registrant Clients is set forth in the applicable constituent documents of the Registrant Clients. Information regarding Registrant's brokerage practices is included in this brochure under the heading Brokerage Practices.

Finally, in 2015 and the first quarter of 2016, Wellspring contracted with a financial operating consultant ("Operating Consultant") to perform services for the portfolio companies. The portfolio companies and Registrant Clients bore the fees, billed by the hour, for the Operating Consultant's time. Wellspring believes that this was in the best interest of the portfolio companies and the Registrant Clients due to the savings associated with utilizing the Operating Consultant instead of outside consultants. Wellspring paid the portion of the financial Operating Consultant's expenses with respect to work performed for Wellspring. Wellspring may, from time to time, engage consultants to perform services for portfolio companies again in the future where it determines that such an arrangement would be in the interests of the portfolio companies and/or the Registrant

Clients. In such case, Wellspring would expect that the portfolio companies and Registrant Clients would bear the fees of such consultant(s) in a similar manner.

Performance Based Fees and Side-by-Side Management

As stated in the Fees and Compensation section above, affiliates of Wellspring charge performance based carried interest, which is based on a share of profits on distributions derived from the disposition of the Registrant Clients' assets.

Such carried interest based on investment profits may create an incentive for Wellspring to make investments on behalf of the Registrant Clients that are riskier or more speculative than would be the case in the absence of such amounts or to realize investments in an order that would maximize the carried interest received by Wellspring's affiliates.

Registrant seeks to address these conflicts through careful vetting of investment opportunities by Registrant's investment professionals, by the disclosure of investments to limited partners by way of investment memoranda distributed to the limited partners in advance of each investment, and by providing quarterly reports to the limited partners. Additionally, investment vehicles owned by a number of Registrant's investment professionals invest in certain Registrant Clients in an effort to align Registrant's and the Registrant Clients' interests. In addition, the constituent documents of the Registrant Clients that provide for performance based carried interest have "claw back" provisions, which require Wellspring's affiliates to return to the Registrant Clients carried interest distributed to them if and to the extent that, on an aggregate basis, such Wellspring affiliates receive distributions of carried interest in excess of 20% of the total profits of third-party investors in such Registrant Client.

Types of Clients

Wellspring provides investment advisory services, directly and indirectly through Wellspring Management IV and Wellspring Management V, to privately offered funds, that invest primarily in private equity or distressed credit investments. Investors in the privately offered funds managed by Wellspring may include high net worth individuals and a variety of institutional investors (e.g. trusts, employee benefit plans, endowments, foundations, corporations, governmental entities and other types of entities, including private funds of funds). All investors are required to be "accredited investors" (as defined in Regulation D promulgated under the Securities Act of 1933) and "qualified purchasers" (as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940) or otherwise be permitted to invest under applicable securities laws.

Agreements with Certain Investors. Certain investors in the Registrant Client have been granted and in the future additional investors may be granted one or more of the following rights with respect to their investments: (i) a reduced management fee and/or performance-based compensation and/or operating expense; (ii) the right to receive improved fees, liquidity, information rights and other terms received by other investors; (iii) the right to receive certain additional information with respect to certain funds, including position-level portfolio information or events related to the Adviser; (iv) the right to reserved capacity for a certain fund; (v) notification to the investor with respect to the investor's ownership percentage of a certain fund; (vi) limitation on the investor's ownership percentage of a certain fund below certain thresholds; (vii) notification to the investor with respect to the ownership by benefit plan investors of a certain fund's equity classes; (viii) certain limitations on an investor's confidentiality obligations under a certain fund's organizational documents pursuant to laws or regulations to which the investor is subject (such as the public information or "sunshine"

laws); and (ix) an acknowledgement that such investor is entitled to sovereign status under U.S. federal, state or non-U.S. law.

In addition to the above, certain investors in the Registrant Clients have been granted one or more additional rights with respect to their investments, including, but not limited to: (i) the right to opt out of the requirement to fund capital calls or otherwise be excused from participating in certain investments due to regulatory, tax or public policy or the investor's internal considerations; (ii) the right to designate one or more members of an investor advisory or oversight committee; (iii) rights with respect to distributions in kind; (iv) rights with respect to transfers of interests; (v) the right to receive information regarding the investment and/or disposition strategy of the relevant Fund; (vi) an acknowledgement that such investors are interested in learning about potential co-investment opportunities; (vii) the right to provide selected confidential information to certain other recipients, (viii) the right to modifications to an investor's subscription agreement, (ix) arrangements with respect to waivers of certain obligations, and (x) agreements by a general partner (or similar governing body) to refrain from exercising certain remedies or taking certain actions against an investor (including in connection with a default by such investor).

Such rights can be, and have been, granted on the basis of (i) the size, nature, timing or other features of the investor's investment in, or commitment made to, a Fund, (ii) the type, category, nature, specificity or other features of the investor, (iii) the involvement or participation in Fund's, the Adviser's or the applicable general partner's management or activities (whether past, present and/or future; in each case only to the extent permitted under applicable laws), or (iv) any other criteria, element or feature as may be determined from time to time by, and in the discretion of, the Adviser or the applicable general partner, to extent that such is not inconsistent with applicable laws and regulations.

Certain investors have been granted "most favored nation" rights (an "MFN") in their side letter, which will give such investors the right to review and/or elect the benefit of certain side letter rights granted to other investors that have made the same or smaller commitments to the Registrant Clients. However, certain provisions will not be subject to disclosure or election, in all cases in accordance with the terms of the MFN. The Adviser will make certain decisions regarding how to implement the MFN, including what information to redact when side letters are shared, whether an investment policy or practice is unique to a limited partner (and therefore not disclosable or electable) and whether certain affiliated, related or commonly advised investor commitments should be aggregated for purposes of the MFN. Further, the terms agreed with certain investors, including investors that are affiliated with or managed by the Adviser, will be carved out in accordance with the terms of the MFN.

Certain investors may engage investment consultants to evaluate a potential investment by such investors in a Registrant Client and/or monitor such investment on an ongoing basis. Such Registrant Client could have an incentive to agree to provide additional information to such investment consultants, offer fee breaks to clients advised by such investment consultant (including by aggregating such investors for purposes of the MFN) or provide other benefits because such investment consultants may refer additional investors to the Registrant Clients.

In certain circumstances, the Registrant may determine that it would be in the best interests of a Registrant Client to provide an opportunity for underlying investors to obtain liquidity for all or a portion of their interests or their interests in particular investments while other Registrant Clients own,

and the Registrant continues to manage, such investments. Subject to the consent of the relevant Registrant Client's advisory board or a majority interest of a Registrant Client's investors, the Registrant could propose to a Registrant Client's advisory board or a Registrant Client's investors one or more transactions that enable investors to monetize or restructure all or a portion of their interests in a Registrant Client, including through the use of a new investment fund or similar continuation vehicle (each such transaction, a "Liquidity Event") that would be advised by the Registrant (each, a "Continuation Fund") and from which the Registrant may receive asset-based and performance-based compensation, as determined by the Registrant. When making such determination, the Registrant may take the view that a particular investment: (i) has the potential for additional value that may require a longer holding period or additional fundings of capital than is appropriate or permitted for the Registrant Clients that then own such investment and/or that the optimal exit from such investment is likely to be achieved as of such later date or (ii) that due to a variety of circumstances (e.g., prevailing market conditions, a changed risk-return for the asset, the life-cycle of the Registrant Client, etc.), the relevant investment is no longer suitable for the Registrant Clients that own it.

As part of the Liquidity Event, the Registrant Client investors may be given the opportunity to continue their investment in the relevant assets, in whole or in part. The Registrant Client may, but will not be obligated to, offer the selling Registrant Client investors the ability to reinvest in the relevant investment through the applicable Continuation Fund via roll-over equity. The Registrant may seek to require the purchasers to make commitments to a successor fund and/or its parallel funds advised by the Registrant or accept the terms of disposition offered by the new investors for the portfolio company interests. The terms offered to selling Registrant Client investors may or may not accurately reflect fair market value of such interests. Because the Registrant will have the opportunity to earn additional asset-based and performance-based compensation and other economic benefits in respect of such Liquidity Events, and because each purchaser's commitment to acquire interests in a successor fund and/or its parallel funds could be conditioned upon completion of the Liquidity Events, the Registrant will have conflicts of interest with respect to any such Liquidity Event, including in determining the terms and participants in connection with such Liquidity Event. The Registrant could be subject to other conflicts of interests in connection with a Liquidity Event, including with respect to investment valuations, allocation of fees and expenses, and the offering of investment opportunities to Registrant Clients and co-investors.

The Continuation Fund could also involve participation of related Registrant Clients and/or third parties, which may indirectly acquire a portion of the relevant assets relating to the interests of the Registrant Client investors that did not elect to continue their participation, in whole or in part. Depending on the elections made by the Registrant Client investors, the sale of an investment to a Continuation Fund will result in certain Registrant Client investors disposing of their investments in the underlying assets at a different time than the non-participating Registrant Client investors, and otherwise taking actions with respect to such investment that are different than the actions taken by the Registrant Client investors that do not make the same elections. As such, certain Registrant Client investors, including the relevant general partner and other related persons of the Registrant, could ultimately receive a return on their share of the relevant investment that is higher or lower than the return achieved by other investors in the Registrant Client.

In addition, unless otherwise agreed at the relevant time, in connection with such transaction, the general partner will be entitled to its profits interest with respect to such investments as if the relevant investments had been sold for cash. Finally, the Registrant or its affiliate may be entitled to a management fee or other compensation in connection with the management of a Continuation Fund. Neither the Registrant Client nor the Registrant Client investors will be entitled to any income or offset

for fees or profits interests payable to the general partner, the Adviser or any of their affiliates by any Continuation Fund.

Additionally, it is possible that new investors will be subscribing for interests in a Continuation Fund (“New Funding Investors”) alongside underlying investors that will be rolling their interests in the underlying investments (“Rolling Investors”) and that such New Funding Investors may participate in any such Continuation Fund on terms that are more or less favorable than the terms offered to Rolling Investors, resulting in additional conflicts of interest between the interests of such New Funding Investors and such Rolling Investors. In addition, such New Funding Investors in a Continuation Fund may participate on terms that could result in dilution of Rolling Investors’ indirect interests in the relevant underlying investments and could adversely affect returns to such Rolling Investors. Also, as a consequence of the potential for New Funding Investors to be offered preferred economics in the Continuation Fund, the amount and timing of returns to a Rolling Investor from a Continuation Fund may not be the same as those for the New Funding Investor, which may be paid in priority to returns to the Rolling Investors. Similarly, the terms applicable to any underlying investor’s retained interest may be less favorable than the terms applicable to other interests in the relevant underlying investment that are sold by the Registrant Client.

In the circumstances outlined above, the Registrant may determine that it is in the interests of the relevant Registrant Clients to enter into a cross trade with another Registrant Client or Registrant Clients, it being understood that such cross trade would be completed in accordance with the Registrant Client’s policies and procedures with respect to cross trades.

Methods of Analysis, Investment Strategies and Risk of Loss

Registrant provides investment advisory services for the Registrant Clients, all of which are privately offered funds that make investments primarily in private equity or distressed credit investments.

Typically, in private equity transactions, the main source of information regarding prospective portfolio companies is due diligence performed on such companies, which involves, among other activities, inspecting the books and records of the company, interviewing management, and analyses of the company within its relevant industry. On certain occasions, an investment is made in a public company, in which case publicly filed corporate documents are also inspected by Registrant. In the course of undertaking transactions, Registrant generally consults with professional advisors, including lawyers and accountants.

Registrant pursues a value-oriented investment approach that emphasizes rigorous due diligence and disciplined pricing. Registrant’s investment strategy is to attempt to identify opportunities through non-traditional deal sourcing; perform rigorous due diligence; and develop business improvement through better management, margin enhancement, cost-cutting and selective add-on acquisitions.

Acquiring an interest in the Registrant Clients involves a number of risks. An investment in the Registrant Clients may be deemed a speculative investment and is not intended as a complete investment program. It is designed for sophisticated investors who fully understand and are capable of bearing the risk of an investment in the Registrant Clients, and are capable of bearing illiquidity for substantial periods of time. No guarantee or representation is made that the Registrant Clients will achieve their investment objectives or that investors will receive a return of their capital.

Investing in the Registrant Clients involves a risk of loss, and the investment strategy offered by Registrant could lose money over short and even long periods. The below is not a complete list of all risks involved in an investment in the Registrant Clients. The description below is a brief overview of different market risks related to Registrant's investment strategy:

- *Equity and Equity Related Investments* – A substantial portion of the Registrant Clients' investments are in securities which by their nature involve business, financial, market and/or legal risks. While such investments offer the opportunity for significant capital gains, they also involve a high degree of risk that can result in substantial losses. There can be no assurance that Registrant will correctly evaluate the nature and magnitude of the various factors that could affect the value of such investments. Prices of the investments may be volatile, and a variety of other factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Registrant Clients' activities. As a result, the Registrant Clients' performance over a particular period may not necessarily be indicative of the results that may be expected in future periods.
- *Leverage* – The Registrant Clients' investments may involve leveraged acquisitions which, by their nature, require companies to undertake a high ratio of fixed charges to available income. Such investments are inherently more sensitive to declines in revenues and to increases in expenses. Utilization of leverage is a speculative investment technique and involves risks to investors.
- *Subscription Credit Facilities* – Where a Registrant Client uses borrowings under a subscription line and/or net asset value facility in advance or in lieu of receiving capital contributions from investors to repay any such borrowings and related interest expenses, the use of such facility will result in a higher or lower reported internal rate of return than if the facility had not been utilized and instead capital contributions from investors had been contributed at the inception of an investment. This will present conflicts of interest, including with respect to the Adviser's marketing efforts, as the Adviser will have various incentives to use the facility if doing so could result in a higher reported internal rate of return ("IRR"). For example, the interest rate on any borrowings is likely to be less than the rate of the preferred return due to the investors under the applicable governing documents. Because the preferred return of Registrant Clients typically does not accrue on such borrowings, but rather only accrues on capital contributions when made, the use of such subscription line facilities could reduce or eliminate the preferred return received by the investors and accelerate or increase distributions of performance-based allocations to the relevant general partner. This will provide the general partner with an economic incentive to fund investments through such facilities in lieu of capital contributions. In addition, management fees are paid to the Adviser using such borrowings even if capital contributions have not been made to the applicable Clients by its investors, and the proceeds of such borrowings will inform the calculation of adjusted cost or any other metric used to determine the cost basis of an investment for purposes of calculating and paying management fees. Moreover, the fees, costs and expenses of any such facilities will generally be allocated among a Registrant Client and any parallel funds or other vehicles, including other Registrant Client, pro-rata or on such other basis that is determined by the Adviser to be more equitable under the circumstances, which will increase the expenses borne by the applicable limited partners and would be expected to reduce net cash on cash returns.

Calculations of net IRR in respect of investment and performance data, including in marketing materials and in reports to investors in Clients from time to time, are based on the payment date of capital contributions received from limited partners. Gross IRR generally is calculated based on the date that amounts are invested by the applicable Registrant Client into, or received by the Registrant Client from, an underlying portfolio investment, including in instances where the Registrant Client utilizes borrowings under a subscription-based credit facility (or other facility) in lieu of capital contributions or in advance of receiving capital contributions from investors to repay any such borrowings and related interest expense. As a result, use of a subscription-based credit facility (or other leverage) with respect to portfolio investments will impact calculations of returns and will result in a higher or lower reported IRR (on an investment, the Registrant Client and/or investor level) than if the facility had not been utilized and instead the investors' capital had been contributed at the inception of an investment. In addition, for investments in certain U.S. corporations by U.S. tax-exempt limited partners, there may be incremental tax costs related to "unrelated business taxable income" that would not have applied in the absence of leverage.

- *Turnaround or Underperforming Companies* – A portion of the Registrant Clients' investments may involve turnaround or underperforming companies or companies identified by the Registrant Clients as being in need of additional capital. The financial condition of such companies may be weak or their balance sheets highly leveraged, and any investment in them may involve a high degree of risk.
- *Co-Investments* – The Registrant Clients may co-invest in companies with financial, strategic or other third-party investors. Such investments will involve additional risks not

present in investments where a third party is not involved, including the possibility that the co-investor may have interests or objectives that are inconsistent with those of the Registrant Clients or may be in a position to take action contrary to the Registrant Clients' investment objectives. In addition, the Registrant Clients may in certain circumstances be liable for actions of their third-party co-ventures or partners. In many cases, co-investors will not agree to pay or otherwise bear fees, costs or expenses related to unconsummated co-investments, such as break-up fees or broken deal expenses. Such fees, costs and expenses that are not borne by co-investors will be considered operating expenses of and be borne by the Registrant Clients, as applicable.

- *Private Securities* – Much of the Registrant Clients' investments are expected to involve private securities. In connection with an investment in private securities, the Registrant Clients may assume, or acquire, portfolio companies subject to contingent liabilities. These liabilities may be material and may include liabilities associated with pending litigation, regulatory investigations or environmental actions, among other things.
- *Foreign Investments* – Although the Registrant Clients invest primarily in domestic securities, the Registrant Clients may from time to time invest in securities of non-U.S. issuers. Investing outside the United States may involve substantially greater risks than investing in the United States. In particular, the value of the Registrant Clients' investments in foreign securities may be significantly affected by changes in currency exchange rates, which may be volatile. Although Registrant may attempt to hedge against foreign currency exchange rate risks by utilizing spot and forward foreign exchange contracts, foreign currency options or other instruments, there can be no assurance that Registrant will be able to do so successfully or cost-effectively, and Registrant may decide not to hedge against such risks or to do so only partially. Additional risks of foreign investments include: (i) risks of economic dislocations in the host country; (ii) less publicly available information; (iii) less well-developed regulatory institutions; and (iv) greater difficulty of enforcing legal rights in a foreign jurisdiction. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to United States companies. Additionally, in some foreign countries, there is the possibility of expropriation of value, including through confiscatory taxation, limitations on the repatriation or sale of securities, property or other assets of the Registrant Clients, political or social instability or diplomatic developments, each of which could have an adverse effect on the Registrant Clients' investments in such foreign countries. While Registrant will take these factors into consideration in making investment decisions for the Registrant Clients, no assurance can be given that Registrant will be able to evaluate these risks accurately.
- *Public Company Investments* – The Registrant Clients may make or hold investments in public companies that may be subject to greater volatility in their valuation, increased disclosure obligations, liquidity limitations at certain times, and increased likelihood of shareholder litigation.
- *Minority Positions* – The Registrant Clients may also make minority equity investments in companies where it may have limited or no influence. Such a company may have economic or business interests or goals that are inconsistent with those of the relevant Registrant

Client, and such Registrant Client may not be in a position to limit or otherwise protect the value of its investment in the company, although as a condition of making such investments, it is expected that appropriate shareholder rights generally will be sought to protect such Registrant Client's investments. The Registrant Client's control over the investment policies of the company may also be limited.

- *Lack of Liquidity of Investments* – The investments to be made by the Registrant Clients will generally be illiquid. Any return of capital or realization of gains will generally require a disposition of some or all of an investment. Dispositions of investments may be subject to legal, contractual, and other limitations on transfer, the absence of an established market for the investments, or other restrictions that would interfere with sales of such investments or adversely affect the terms that could be obtained upon any disposition thereof. Such restrictions may apply even after the terms of the Registrant Clients has ended or the Registrant Clients have otherwise been dissolved. The Registrant Clients may have to sell, distribute, or otherwise dispose of investments at a disadvantageous time as a result of its dissolution. This risk may be especially present with respect to investments made in the final years or months of the Registrant Clients' commitment period and follow-on investments made thereafter.
- *Portfolio Concentration* – Although the constituent documents of the Registrant Clients include certain restrictions regarding the concentration of the Registrant Clients' investments, diversification is not an objective of the Registrant Clients. Each of the Registrant Clients' portfolios may include a small number of large positions. While this portfolio concentration may enhance total returns to investors, if any large position has a material loss, then returns to the investors may be lower than if they had invested in a well-diversified portfolio.
- *Reliance on Portfolio Company Management* – The day-to-day operations of a portfolio company will be the responsibility of such company's management team. There can be no assurance that an existing management team, or any successor, will be able to operate successfully a portfolio company in accordance with the Registrant Clients' strategy for such company. Management teams, including CEOs, may underperform or commit bad acts and the cost of replacing them could be high.
- *Broad Investment Charter* – Each Registrant Client has a broad investment charter, and there are only a few formal constraints on the type of investments in which a Registrant Client may invest.
- *Difficulty of Locating Suitable Investments* – There can be no assurance that there will be a sufficient number of suitable investment opportunities to enable the Registrant Clients to invest all of their committed capital in opportunities that satisfy the Registrant Clients' investment objectives, or that such investment opportunities will lead to completed investments by the Registrant Clients. Identification of attractive investment opportunities is difficult and involves a high degree of uncertainty.
- *Competition for Investments* – The Registrant Clients compete for the acquisition of investments with many other investors, some of which have greater resources than the

Registrant Clients. Such competitors may include other private investment funds as well as individuals, financial institutions, strategic investors and other institutional investors. Further, there can be no assurance that Registrant will correctly evaluate the nature and magnitude of the various factors that could affect the value of the Registrant Clients' investments. A variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Registrant Clients' activities and the value of the Registrant Clients' investments.

- *Illiquidity of Interests in the Registrant Clients; Restrictions on Transfer* – The interests in the Registrant Clients (the “Interests”) will be issued in reliance upon certain exemptions from registration or qualification under applicable U.S. federal and state securities laws and may not be transferred unless registered under applicable U.S. federal and state securities laws or unless an exemption from such laws is available. There will be no public market for the Interests and none is expected to develop. Accordingly, Interests constitute illiquid investments and only should be purchased by persons that are able to bear the risk of their investment for an indefinite period of time.
- *Debt Investments in Portfolio Companies* – The Registrant Clients may make investments in debt instruments or convertible debt securities. Such debt may be unsecured and structurally or contractually subordinated to substantial amounts of senior indebtedness. Moreover, such debt investments may not be protected by financial covenants or limitations upon additional indebtedness, and there is no minimum credit rating for such debt investments. Various factors may materially and adversely affect the market price and yield of such debt investments, including, without limitation, investor demand, changes in the financial condition of the applicable issuer, government fiscal policy and domestic or worldwide economic conditions.
- *Expedited Transactions* – Investment analyses and decisions by the Registrant may be undertaken on an expedited basis in order for Registrant Clients to take advantage of available investment opportunities. In such cases, the information available to the Registrant at the time of an investment decision may be limited, and the Registrant may not have access to the detailed information necessary for a full evaluation of the investment opportunity. Further, a Registrant Client may conduct its due diligence activities in a very brief period and may assume the risks of obtaining certain consents or waivers under contractual obligations.
- *General Business and Management Risk* – Investments in portfolio companies subject the Registrant Clients to the general risks associated with the underlying businesses, including market conditions, changes in regulatory requirements, reliance on management at the portfolio company level, interest rate and currency fluctuations, general economic downturns, domestic and foreign political situations and other factors.
- *LPAC* – The Registrant Clients have advisory boards that consist of representatives of certain investors in such Clients. Any approval or consent given by such advisory boards tends to be binding on such Registrant Clients and all of their investors. Members of such advisory boards are also authorized to give approvals or consents required under the Investment Advisers Act of 1940 (the “Advisers Act”), including in respect of conflicted transactions (including principal transactions under Section 206(3) of the Advisers Act) and consents to the “assignment” of a Registrant Client’s advisory agreement under the Advisers

Act.

Members of such advisory boards owe no fiduciary duty to the Registrant Clients, are under no obligation to act in the best interests of the Registrant Clients as a whole, and could choose to act only in the best interests of the investor with which such member is affiliated. Although the Adviser has adopted policies and procedures designed to manage conflicts among Registrant Clients, members of the advisory boards could themselves have conflicts of interest that do not disqualify such members from voting or consenting to matters submitted to their advisory boards for consideration or review.

Among other things, the possibility exists that the respective advisory boards of two or more Registrant Clients will have overlapping membership, and such overlapping membership may result in a member having a conflict of interest. For example, in a cross trade situation where the Adviser arranges for a Registrant Client to purchase an investment from or sell an investment to another Registrant Clients, if an advisory board member has an interest in both Clients involved in the cross trade, such member could favor one Registrant Clients over the other if such member's interests are more aligned with the Registrant Clients it favors.

As a result, if the member has an interest unrelated to the Adviser, it could choose not to act in the best interests of the Registrant Clients that it represents. In such instances, the Adviser expects that such advisory board member will act in the best interests of the Registrant Clients that it represents; however, there is no assurance that such conflicts of interest will be eliminated. Furthermore, there could arise certain instances where, notwithstanding that a Registrant Client's governing documents could suggest that a particular transaction or conflict of interest ought to be submitted to the advisory board for its review or consent, the Adviser could instead defer to the judgment of a portfolio investment's board of directors (or equivalent body) with respect to such transaction or conflict of interest, including, for example if such portfolio investment is publicly traded, if the Registrant Client does not control such portfolio investment or if the portfolio investment has its own conflicts committee. Additionally, it is expected that investors in Registrant Clients who designate representatives to participate on the advisory boards may, by virtue of such participation, have more information about the Registrant Client and investments in certain circumstances than other investors generally and may be provided information in advance of communication to other investors generally.

- *Diverse Investors* – The investors in the Registrant Clients are expected to include diverse investors that may have conflicting tax and other interests with respect to their investment in the Registrant Clients. As a result, conflicts of interest may arise in connection with decisions made by Wellspring that may be more beneficial for one type of investor. In

making decisions, Wellspring intends to consider the investment objectives of the applicable Registrant Client as a whole, and not the investment objectives of any investor individually.

- *Dependence on Key Personnel* – The success of the Registrant Clients is highly dependent on the financial and managerial expertise of the key personnel of Registrant. The loss of one or more of these individuals could have a material adverse effect on the performance of the Registrant Clients. The key personnel are under no contractual obligation to remain with Registrant for all or any portion of the term of any Registrant Client. As a result, the ability of the Registrant Clients to carry on their activities successfully is dependent upon the skill and experience of Registrant. Although the key personnel will commit a significant amount of their business efforts to Registrant, the key personnel are not required to devote all of their time to the affairs of Registrant or the Registrant Clients.
- *Regulation and Enforcement Litigation* – The growth of the private equity industry, and the increasing size and reach of transactions, as well as the increased attention to private funds, has prompted additional governmental and public attention to the private equity industry and its practices, some of which, directly or indirectly, apply to the Registrant Clients and/or the Registrant. Regulation generally as well as regulation more specifically addressed to the private equity industry, including tax laws and regulation, whether in the United States or abroad, could increase the cost of acquiring, holding or divesting portfolio companies, the profitability of enterprises and the cost of operating the Registrant Clients. Additional regulation could also increase the risk of third-party litigation. The transactional nature of the business of the Registrant Clients exposes the Registrant Clients and Registrant to the risks of third-party litigation. The Registrant Clients will generally be responsible for indemnifying Registrant and related parties for costs that they may incur with respect to such litigation not covered by insurance.
- *Valuation of Assets* – The valuation of the assets of the Registrant Clients will likely affect the Registrant Clients' reported performance. The Registrant Clients' investments generally will have no, or a limited, liquid market, and the fair value of such investments may not be readily determinable. There is no assurance that the value assigned to an investment at a certain time will accurately reflect the value that will be realized by the Registrant Clients upon the eventual disposition of the investment and the performance of the Registrant Clients could be adversely affected if such valuation determinations are materially higher than the value ultimately realized upon the disposition of the investment.
- *Allocation of Expenses* – From time to time, the Registrant or its personnel incur expenses on behalf of the Registrant Clients and one or more existing or subsequent entities established by the personnel of the Registrant. While Wellspring endeavors to allocate these expenses to the Registrant Clients on a basis that is equitable and consistent with disclosures to investors, there is an inherent conflict with allocation of expenses by Wellspring.
- *Cybersecurity* – Wellspring, the Registrant Clients and their portfolio companies may face cybersecurity threats to gain unauthorized access to sensitive information, including information regarding Wellspring's investment activities and the investors in the Registrant Clients, or to render data or systems unusable, which could result in significant losses. If such events were to materialize, they could lead to losses of sensitive information or

capabilities essential to Wellspring's, the Registrant Clients', and/or a portfolio company's operations and could have a material adverse effect on their reputations, financial positions, results of operations, or cash flows, could lead to financial losses from remedial actions, loss of business, or potential liability, or could lead to the disclosure of investors' personal information.

- *Pandemics* – The outbreak of a pandemic, such as the novel coronavirus, can adversely impact global commercial activity and contribute to significant volatility in financial markets. In response to such an outbreak, countries may react by instituting quarantines, restrictions on travel, and the closure of offices, businesses, schools, retail stores and other public venues. Any such measures, as well as the general uncertainty surrounding the dangers and impact of a public health crisis, have the potential to create significant disruption in global supply chains and may adversely impact a number of industries, such as transportation, hospitality and entertainment. The potential impacts of any such health emergency, which can include a global, regional or other economic recession, are uncertain and difficult to assess. Any public health emergency, including any outbreak of COVID-19, SARS, H1N1/09 flu, avian flu, other coronavirus, Ebola or other existing or new epidemic diseases, or the threat thereof, presents material uncertainty and risk with respect to Wellspring's ability to implement, and the success of, its investment strategy on behalf of the Registrant Clients.
- *Banking Industry Disruption* – As a result of increasing interest rates, reserves held by banks and other financial institutions in bonds and other debt securities could face a significant decline in value relative to deposits and liabilities which, coupled with general economic headwinds resulting from a changing interest rate environment, creates liquidity pressures at such institutions. As a result, certain sectors of the credit markets could experience significant declines in liquidity, and it is possible that the Adviser (with respect to Registrant Clients), and/or the management and other personnel of the portfolio investments owned by Registrant Clients, will not be able to manage this risk effectively.
- *Outsourced Services* – Consistent with what the Adviser believes to be typical industry practice, the Adviser has and is expected to continue to outsource to third parties many of the services performed for a Registrant Client and/or its portfolio companies, including services (such as administrative, legal, accounting, certain elements or portions of investment diligence and certain ongoing monitoring, tax or other related services) that could be expected to be performed in-house by the Adviser and its personnel. The fees, costs and expenses of such third-party service providers will be borne by a Registrant Client as operating expenses, even if the costs of such services had not historically been charged to Registrant Clients when performed in-house, to the extent applicable. The decision to engage a third-party service provider and the terms (including economic terms) of such engagement will be made by the Adviser in its discretion, taking into account such factors as it deems relevant under the circumstances. Certain third-party service providers and/or their employees (and/or teams thereof) could dedicate substantially all of their business time to Registrant Clients and/or their respective portfolio companies, while others could have other clients. In certain cases, third-party service providers and/or their employees (including part or full-time secondees to the Adviser) may spend some or all of their time at Adviser offices, have dedicated office space at the Adviser, have Adviser-related e-mail addresses, receive administrative support from Adviser personnel, and/or participate in meetings and events for Adviser personnel, even though they are not Adviser employees or

affiliates. The Adviser will have an incentive to outsource services to third parties due to a number of factors, including because the fees, costs and expenses of such service providers will be borne, subject to a Registrant Client's governing documents, by Registrant Clients as operating expenses (with no reduction or offset the Adviser's Management Fees), and retaining third parties could reduce the Adviser's internal overhead, compensation and benefits costs for employees who would otherwise perform such services in-house. The involvement of third-party service providers may present a number of risks due to the Adviser's reduced control over the functions that are outsourced. There can be no assurances that the Adviser will be able to identify, prevent or mitigate the risks of engaging third-party service providers. Registrant Clients could suffer adverse consequences from actions, errors or failures to act by such third parties, and will have obligations, including indemnity obligations, and limited recourse against them. Outsourcing may not occur uniformly for all Registrant Clients and, accordingly, certain costs could be incurred by (or allocated to) certain Registrant Clients through the use of third-party (or internal) service providers that are not incurred by (or allocated to) other Registrant Clients.

- *Regulatory Developments Relating to Investment Advisers and Private Funds* - Legal, tax and regulatory changes, as well as judicial decisions, could adversely affect the Adviser and the Registrant Clients, particularly those clients that are private funds (each, a "Fund"). In particular, the regulatory environment relevant to private investment funds is evolving and may entail increased regulatory involvement in the Adviser's business or result in ambiguity or conflict among legal or regulatory schemes applicable to the Adviser's business, all of which could adversely affect the investment strategies pursued or the value of investments held by a Fund. In 2023 and early 2024, the SEC voted to adopt several new rules and amendments that can be expected to affect the Adviser's business and the Fund.

Recently Adopted Rules

- *Private Fund Adviser Rules* - In August 2023, the SEC voted to adopt new rules and amendments to existing rules under the Advisers Act (collectively, the "Private Fund Adviser Rules") specifically related to investment advisers and their activities with respect to private funds. The various Private Fund Adviser Rules have compliance dates of either September 14, 2024 or March 14, 2025.

The Private Fund Adviser Rules are expected to, among other things, (i) require quarterly reporting by registered private fund advisers to investors concerning performance, compensation, fees and expenses; (ii) require registered advisers to obtain an annual audit for private funds they advise; (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) prohibit advisers from charging certain fees and expenses to private fund clients without disclosure and in some cases investor consent; (v) prohibit advisers from reducing an adviser clawback by the amount of certain taxes, unless disclosed; (vi) prohibit an adviser from borrowing or receiving an extension of credit from a private fund client without disclosure and investor consent; and (vii) impose limitations on and new disclosure requirements regarding preferential treatment of investors in private funds in side letters or other arrangements with an adviser. Several trade groups representing private fund managers have filed a legal challenge to the Private Fund Adviser Rules.

The Private Fund Adviser Rules are likely to have a significant effect on the Adviser, the

Funds and their operations, including increasing compliance burdens and associated regulatory costs and increasing the risk of regulatory action, including public regulatory sanctions and may result in a change to the Adviser's practices and create additional regulatory uncertainty. The Private Fund Adviser Rules may result in material alterations to how the Adviser operates its business and/or the Funds, as well as the Adviser's implementation of the investment strategy of the Funds, and there can be no assurance that such alterations will not have a material adverse effect on the Adviser, the Funds and/or their portfolio companies.

In September 2023, several trade groups representing the private fund industry filed a legal challenge to the validity and enforceability of various Private Fund Adviser Rules, and the filing of the lawsuit did not automatically delay the Private Fund Adviser Rules' compliance dates. However, a stay may be requested or granted, either by court order as part of the proceedings or as otherwise determined by the SEC. While the legal challenge is pending, there is uncertainty regarding whether all or part of the Private Fund Adviser Rules will be upheld, delayed, remanded for revision, or repealed. The trade groups have requested (without objection from the SEC) that the court issue a ruling by May 31, 2024, but the final timeline is not certain and appeals are likely. Regardless of the outcome of the legal challenge, the Adviser is incurring costs related to implementing changes to comply with the Private Fund Adviser Rules.

- *Form PF Amendments* - In May 2023, the SEC adopted substantial amendments to Form PF. Among other requirements, the amended Form PF (i) imposes quarterly event reporting requirements on all private equity fund advisers regarding certain triggering events including the removal of a general partner, certain fund termination events and the occurrence of an adviser-led secondary transaction; and (ii) creates additional annual reporting requirements for "large" private equity fund advisers (i.e., private equity fund advisers with at least \$2 billion in private equity assets under management) including reporting on the occurrence of any GP clawback or LP clawback, as well more detailed information on fund investment strategies, fund-level borrowings, events of default, bridge financings to controlled portfolio companies and geographic breakdowns of investments. The compliance date for the quarterly event reporting requirements occurred in December 2023 and the compliance date for the amendments to the annual reporting requirements is in June 2024.

In February 2024, the SEC and the U.S. Commodity Futures Trading Commission ("CFTC") jointly adopted amendments to Form PF. Among other requirements, the joint amendments (i) require private fund advisers to report additional information about themselves and their private funds, including identifying information, assets under management, withdrawal and redemption rights, gross asset value and net asset value, inflows and outflows, base currency, borrowings and types of creditors, fair value hierarchy, beneficial ownership, and fund performance; and (ii) require private fund advisers to report separately each component fund in complex fund structures, such as master-feeder arrangements and parallel fund structures. The compliance date for the joint SEC and CFTC amendments to Form PF is in March 2025.

Recently Proposed Rules

- In 2022 and 2023, the SEC voted to propose several new rules and amendments that, if adopted, can be expected to affect the Adviser's business and the Fund. These final rules

and amendments are expected to significantly increase compliance burdens and associated regulatory costs and operational complexity. The cost of implementing requirements relating to these final rules and amendments is expected to be substantial and may, to the extent permitted by the relevant governing documents and applicable regulations, be borne by the Adviser, the Funds or other Clients, and/or portfolio investments of the Funds and other Clients.

- *Predictive Data Analytics Proposal* - In July 2023, the SEC proposed a new rule and amendments to the books and records rule to address conflicts of interest associated with advisers' interactions with investors through the use of certain technologies that that optimize for, predict, guide, forecast, or direct investment-related behaviors or outcomes (i.e., predictive data analytics). The proposal would require all investment advisers registered, or required to be registered, with the SEC to identify and eliminate (or neutralize the effect of) any conflict of interest associated with their use of covered technology in investor interactions that place the adviser's or its associated person's interest ahead of investors' interests. In addition, the proposal would require all investment advisers registered, or required to be registered, with the SEC to adopt and implement written policies and procedures reasonably designed to prevent violations of the proposed rule; and to comply with extensive recordkeeping obligations.
- *Cybersecurity Risk Management Proposal* - In January 2022, the SEC proposed new cybersecurity risk management rules and amendments that would require advisers to adopt and implement written cybersecurity policies and procedures, confidentially report significant cybersecurity incidents to the SEC within 48 hours of discovery, make enhanced disclosure about cybersecurity risks and incidents, and maintain related books and records.
- *ESG Proposal* - In May 2022, the SEC proposed amendments to Form ADV which would require investment advisers, including private fund advisers, to provide additional information regarding their incorporation of environmental, social and governance ("ESG") factors in their investment strategies. The proposal seeks to categorize certain types of ESG strategies broadly and would require advisers to provide specific disclosures based on the ESG strategies they pursue.
- *Adviser Outsourcing Proposal* - In October 2022, the SEC proposed a new rule and related rule amendments under the Advisers Act that would establish a new oversight framework for outsourcing by registered investment advisers. The proposal would (i) require advisers to conduct due diligence prior to engaging a "service provider" to perform a "covered function" and to periodically monitor the performance and reassess the retention of the service provider; (ii) require advisers to conduct due diligence prior to engaging a third party to perform a "recordkeeping function" (as defined below) and to periodically monitor the performance and reassess the retention of the third-party recordkeeper, as well as to obtain reasonable assurances that the third party will meet certain standards; (iii) require advisers to make and/or keep books and records related to the foregoing due diligence and monitoring requirements; and (iv) amend Form ADV to collect census-type information about advisers' use of service providers.
- *Safeguarding Proposal* - In February 2023, the SEC proposed to amend and redesignate the custody rule, which governs the safeguarding of client assets by investment advisers, and amend associated reporting and recordkeeping rules. The proposal would, among other things, (i) broaden existing requirements to cover all client assets (not just funds and

securities), (ii) expand the definition of “custody” to include discretionary investment authority for assets, (iii) require an adviser to enter into a written agreement with and obtain certain reasonable assurances from qualified custodians, and (iv) narrow the current custody rule’s exception from the obligation to maintain client assets with a qualified custodian for certain privately offered securities and physical assets.

- *Regulation S-P Proposal* - In March 2022, the SEC proposed enhancements to Regulation S-P (which relates to the privacy and protection of consumer financial information) to require registered investment advisers, among others, to notify individuals affected by certain types of data breaches that may put them at risk of harm. The proposal would (i) require registered advisers to adopt written policies and procedures for an incident response program to address unauthorized access to or use of customer information; (ii) require registered advisers to have written policies and procedures to provide timely notification to affected individuals whose sensitive customer information was or is reasonably likely to have been accessed or used without authorization; and (iii) broaden the scope of information covered by Regulation S-P’s requirements.
- *Potential Impact.* The scope and timing of any final rules and amendments with respect to the foregoing proposals is unknown. If adopted, even with modifications, these rules and amendments would be expected to significantly increase compliance burdens and associated regulatory costs and operational complexity. The cost of implementing requirements relating to such proposals is expected to be substantial and may, to the extent permitted by the relevant governing documents and applicable regulations, be borne by the Adviser, the Funds or other Clients, and/or portfolio investments of the Funds and other Clients.

Disciplinary Information

Wellspring and its employees have not been involved in any legal or disciplinary events in the past 10 years that are responsive to this item and would be material to a Registrant Client’s evaluation of the Wellspring or its personnel.

Other Financial Industry Activities and Affiliations

Wellspring Capital Management Group LLC, an affiliate of Registrant, is also registered as an investment adviser with the SEC. Registrant’s related persons and other employees provide services to Wellspring Capital Management Group LLC with respect to such other private funds. In addition, Registrant and Wellspring Capital Management Group LLC share office space and other resources.

Related persons of Registrant or its affiliates may serve as directors and officers of, and provide advice to, publicly traded companies and private companies. The Registrant Clients should be aware that receipt of material non-public information by Registrant’s related persons regarding these companies could preclude Registrant from effecting transactions in the securities of such companies. All of the compensation for directorships with portfolio companies of the Registrant Clients is treated as transaction fees described above under the heading “Fees and Compensation.”

Certain of the related persons of Registrant may have personal investments in companies, limited partnerships or limited liability companies. To the extent that conflicts arise, they are reviewed by Registrant’s Chief Compliance Officer. Related persons of the Registrant may be offered opportunities to invest in new issuances of portfolio companies and their affiliates if such

opportunities aren't appropriate as investments of the Registrant Clients. On occasion, the Registrant Clients may form co-investment vehicles managed by the general partner of the Registrant Clients to invest alongside the Registrant Clients in portfolio companies where the Registrant Clients will make or have made an investment. Co-investment vehicles or direct co-investors may be allocated a pro-rata share (relative to capital invested) of transaction fees, portfolio monitoring fees, management fees and similar payments from portfolio companies. With respect to certain co-investments, to the extent agreed upon by co-investors, Registrant or its Related Persons may retain relevant transaction fees or portfolio monitoring fees, earn carried interest and receive a management fee that will not reduce the compensation paid to Registrant by the Registrant Clients. Co-investment entities and co-investors may present conflicts of interest. At the discretion of Registrant, co-investment opportunities may be offered to third parties and/or limited partners of the Registrant Clients. Expenses borne by the Registrant Clients are allocated among any parallel funds, co-investment vehicles, and other entities that comprise the Registrant Clients that shared in the activities generating such expenses. If the investment is not consummated or the prospective co-investors otherwise do not ultimately invest in the portfolio company, the Registrant Clients, and not the co-investors, will typically bear the interest and other expenses relating to any such co-investment as well as any broken deal expenses.

It is possible that Registrant may occasionally utilize the services of entities that have, directly or indirectly, or whose affiliates have, investments in funds managed by Registrant. Such services will only be used on an arm's length basis and when they are in the best interest of the Registrant Clients.

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

Registrant has adopted a formal compliance code of ethics that includes a securities trading code of conduct, insider trading policies and procedures, and procedures to address rules dealing with political contributions also known as "pay to play" rules. Among other things, the code of ethics requires that the Registrant's employees act with integrity, place the interests of clients above their own, discuss and clear actual and potential conflicts of interest with Wellspring's Chief Compliance Officer and comply with applicable provisions of all laws. The policies also require the Registrant's employees and members of their immediate households to pre-clear certain personal securities transactions (initial public offerings and private offerings), report personal securities transactions on at least a quarterly basis and provide Registrant with a detailed summary of certain holdings when they first become associated with the Registrant and annually thereafter. Registrant regularly reviews its compliance policies and procedures with outside counsel and experienced compliance consultants.

A copy of Registrant's code of ethics will be provided to any investor or prospective investor upon request to Wellspring's Chief Compliance Officer.

The senior investment professionals of Registrant do invest in the Registrant Clients both as members of limited partners of certain Registrant Clients and as partners of the general partners of the Registrant Clients. As indirect partners of the Registrant Clients, the senior investment professionals of Registrant invest in every transaction made by the Registrant Clients. While investments by related persons and investment professionals of Registrant are intended to align interests of Registrant and its related persons with those of the Registrant Clients, such investments

may create conflicts (for example, in a diverse group of investors, including the senior investment professionals, with conflicting tax or other interests, decisions may be made that are more beneficial to one type of investor). To address such conflicts, the investment arrangements are described and agreed upon in the constituent documents of each Registrant Client. Generally, investments and disposals are made on the same economic terms for all limited partners of the Registrant Clients, including for Registrant's related persons, and each investment is made pro rata among the limited partners of each Registrant Client and Registrant's related persons who are indirect limited partners, so that Registrant's related persons may not receive favorable terms with respect to or greater exposure to certain investments.

To avoid any potential conflicts of interest involving personal trades, investment professionals are subject to the code of ethics, which includes a pre-clearance requirement for certain personal trades and reporting of certain holdings. Should potential conflicts of interest arise, Registrant's investment professionals have an ongoing responsibility to report such conflicts to the Chief Compliance Officer, who will address conflicts on a case-by-case basis.

Also, with respect to conflicts of any nature, Registrant may consult a Board of Advisors of limited partners of the Registrant Clients. Decisions of the Board of Advisors are binding on the limited partners.

Certain potential conflicts of interest, including transactions between two or more Registrant Clients and the investment of an affiliate of the Registrant in a portfolio company of a Registrant Client, require the approval of the limited partners of a Registrant Client.

Finally, Wellspring may obtain preferential pricing by participating with one or more of the portfolio companies of the Registrant Clients by negotiating the bulk purchasing of products and services. We do not believe this creates a conflict of interest because Wellspring's participation does not increase costs to the portfolio companies; however, such situations will benefit Wellspring as it may be able to reduce its operating costs.

Brokerage Practices

Registrant's business is to focus on making investments in private securities. Accordingly, it does not typically trade in public securities. In the limited circumstances where Registrant purchases public securities as part of a private equity transaction or has such securities as a result of a portfolio company going public, it intends to follow applicable SEC guidelines and seeks to obtain best execution in executing such transactions.

In selecting brokers and negotiating commission rates, Registrant looks not just for lowest possible commission cost or dealer spread, but also for whether the transaction represents the best qualitative execution and therefore takes into account several factors, including, but not limited to, the financial stability and reputation of the broker, listed bids and asks, speed of execution, the quality of investment research, trading style and investment strategies and special execution capabilities, including the ability to minimize indirect cost factors such as market manipulation and trade settlement costs. Registrant does not utilize soft dollar arrangements outside of routinely available research. Registrant does not direct trading activity in lieu of payments for research or other services.

Registrant selects brokers with best execution criteria in mind. It is possible that Registrant may

occasionally effect transactions or otherwise utilize broker-dealers that have, or whose affiliates have, referred or recommended investors to it and broker-dealers or registered representatives of broker-dealers that personally or through related persons or family members have investments in funds managed by Registrant. Because Registrant selects brokers on the basis of best execution, Registrant does not believe this presents a conflict.

Review of Accounts

As noted above, Registrant focuses on investments primarily in private equity. Prior to being made, all investments are carefully reviewed and approved by an Investment Committee comprised of senior investment professionals of Registrant; when there are disagreements as to investments, the Investment Committee votes, and a simple majority is required for approval. The progress of all portfolio companies is monitored on a regular basis and is subject to supervision and review by Registrant's senior professionals. Registrant's Valuation Committee reviews the valuation of Registrant's investments quarterly in accordance with its Valuation Policy; when there are disagreements as to the valuation of portfolio companies, the Valuation Committee votes, and a simple majority is required for approval.

Registrant generally provides quarterly and annual reports (including annual audited financial statements) to investors in the Registrant Clients in accordance with the terms of the applicable constituent documents of the Registrant Clients.

Client Referrals and Other Compensation

In certain circumstances, Wellspring may, pursuant to a written agreement, pay cash consideration to third parties for solicitation of investments in the Registrant Clients. Wellspring intends to pay such consideration in compliance with applicable SEC rules and other laws and regulations that may be in effect from time to time.

Wellspring receives transaction fees as discussed under "Fees and Compensation" above.

Custody

All client assets are held in custody by unaffiliated broker/dealers or banks that serve as qualified custodians; however, Wellspring may be deemed to have custody of the assets of the Registrant Clients since its affiliates serve as the general partners of the Registrant Clients. Investors of the Registrant Clients will not receive statements from the custodian of the Registrant Clients. Instead, the financial statements of the Registrant Clients are subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. The audited financial statements are distributed to each of the Registrant Clients' respective investors. The audited financial statements are prepared in accordance with generally accepted accounting principles and distributed within 120 days of the Registrant Client's fiscal year end, or as otherwise required by the Registrant's Clients governing documents.

Investment Discretion

Wellspring serves as the investment adviser and its affiliates have discretionary authority to implement investment decisions for each of the Registrant Clients. Wellspring's and its affiliates' investment decisions and advice with respect to the Registrant Clients are subject to each Registrant Client's limited partnership agreement, and any side letters that it executes with investors.

Voting Client Securities

The Registrant Clients are primarily invested in private companies which typically do not issue proxies. On occasion, the Registrant Clients are invested in private companies which go public, in which case such companies will issue proxies. As part of the services provided by Registrant, Registrant has adopted proxy voting policies and procedures, which include voting of proxies by Registrant's investment professionals. These proxy voting policies and procedures are designed to ensure that Registrant votes the equity proxies of the Registrant Clients in their best overall interests. Registrant maintains a record of all proxy votes cast on behalf of Registrant Clients. The investors in the Registrant Clients may contact Registrant for a copy of the policy or information with respect to a specific proxy vote.

As is typical in private equity investing, Registrant generally approves one or more of its employees to act as representatives on the board of directors of portfolio companies on behalf of the Registrant Clients. As noted herein, a number of Registrant's investment professionals serve as board members of its client's public and private portfolio companies in such representative capacity. In situations where Registrant votes the proxy for a company in which an employee or employees of Registrant serve on the board of directors, Registrant has determined that this does not inherently present a conflict of interest as (a) the employee is on the board of directors as a representative of the Registrant Clients and (b) the sole purpose of this representation is to maximize the return on the Registrant Clients' investment in such company and to ensure that the Registrant Clients' interests are protected. Given these facts, the Registrant Clients and the representative's role are aligned with respect to proxy voting and otherwise.

Financial Information

Wellspring has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.