

**Form ADV Part 2A: FIRM BROCHURE**



**CHICAGO PACIFIC CAPITAL, L.P.**

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This brochure ("Brochure") provides information about the qualifications and business practices of Chicago Pacific Capital, L.P. ("Chicago Pacific" or the "Firm"). If you have any questions about the contents of this Brochure, please contact Mike Wilson at (312) 273-4769 or [mwilson@cpfounders.com](mailto:mwilson@cpfounders.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.

Chicago Pacific is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Registration of an investment adviser with the SEC does not imply a certain level of skill or training.

Additional information regarding Chicago Pacific is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

There have been no material changes since Chicago Pacific filed its last annual Brochure amendment on March 31, 2023.

Chicago Pacific routinely makes changes throughout its Brochure to improve and clarify the descriptions of its business practices and compliance policies and procedures or in response to evolving industry best practices and Firm practices. In this year's filing, the following Items have been updated, in addition to certain immaterial and/or conforming changes related to the following:

- Item 4: updated to reflect updated regulatory assets under management as of December 31, 2023 and
- Item 8: updated description of risk factors and potential conflicts of interest.

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## Item 4 – Advisory Business

### Firm Description

Chicago Pacific Capital L.P. (together with its fund general partners (unless otherwise specified), “Chicago Pacific” or the “Firm”) is an investment management firm founded in 2014 that focuses primarily on private investments in providing capital and strategic support to highly differentiated healthcare services, independent living facility platforms, healthcare technology and medical real estate investments. Based in Chicago with an office in San Francisco, Chicago Pacific acts as the investment manager to private funds exempt from registration under the Investment Company Act of 1940, as amended (the “Investment Company Act”), as well as to co-investment special purpose funds established to invest alongside a fund in a single portfolio investment.

Chicago Pacific provides discretionary investment advisory services to the following Funds: Chicago Pacific Founders Fund, L.P., Chicago Pacific Founders Fund-A, L.P. and Chicago Pacific Founders Fund-B, L.P. (collectively “Fund I”); Chicago Pacific Founders Fund II, L.P., Chicago Pacific Founders Fund II-A, L.P. and Chicago Pacific Founders Fund II-B, L.P. (collectively “Fund II”); Chicago Pacific Founders Fund III, L.P. and Chicago Pacific Founders Fund III-A, L.P. (collectively “Fund III” and together with Fund I and Fund II, the “Equity Funds”), Chicago Pacific Founders Healthcare Real Estate Fund III, L.P. and Chicago Pacific Founders Healthcare Real Estate Fund III Feeder, L.P. (collectively the “Real Estate Fund” and together with the Equity Funds, the “Main Funds”) and several co-investment Funds established to invest alongside a Fund in a single portfolio investment or platform investment (the “Co-Investment Funds” and together with the Equity Funds and the Real Estate Fund, the “Funds,” unless the context otherwise requires). In certain circumstances, as more fully described in Item 7 below, Chicago Pacific also permits certain investors and third parties to co-invest alongside a Fund directly in a portfolio investment. Unlike the Co-Investment Funds mentioned above, such direct co-investments are not considered Funds or clients of Chicago Pacific.

Each Fund is affiliated with a general partner (“General Partner”) with authority to make investment decisions on behalf of such Fund. These General Partners are deemed registered under the Advisers Act pursuant to Chicago Pacific’s registration in accordance with SEC guidance. The applicable General Partner of each Fund retains investment discretion and investors in the Funds do not participate in the control or management of the Funds. While the General Partners maintain ultimate authority over the respective Funds, Chicago Pacific has been delegated the role of investment adviser. For more information about the Funds and General Partners, please see the Firm’s Form ADV Part 1, Schedule D, Section 7.A. and 7.B.(1).

## **Principal Ownership**

Chicago Pacific Management GP, LLC, a Delaware limited liability company, acts as the general partner of Chicago Pacific. Chicago Pacific and its general partner are owned by managing partners Mary Tolan, Lawrence Leisure and Vance Vanier as detailed in Chicago Pacific's Form ADV Part 1, Schedule A and Schedule B.

## **Advisory Services**

The Equity Funds are focused on privately negotiated equity investments in healthcare companies and make primarily long-term private equity and equity-related investments in private companies (generally referred to herein as "portfolio companies"). The Real Estate Funds invest in equity and debt interests in senior housing (independent living, assisted living and memory care) and medical office real estate, real estate-related assets and real estate operating companies (generally referred to herein as "portfolio investments", and collectively with portfolio companies, generally referred to herein as "portfolio investments").

Each portfolio investment has its own independent management team responsible for managing its day-to-day operations, although for the Equity Funds the principals of Chicago Pacific or other individuals chosen by Chicago Pacific will generally serve on the portfolio companies' respective boards of directors or otherwise act to influence control over management of portfolio companies held by the Funds. In addition, in some cases, Chicago Pacific will more directly influence the day-to-day management of the portfolio investments by recruiting and/or installing certain individuals in senior management roles such as chief executive officer, chief operating officer, chief financial officer or in other roles. Chicago Pacific's investment advisory services to its Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investment, managing and monitoring investments and achieving dispositions of such investments. Investments are made predominantly in nonpublic companies, although investments in public companies are permitted in certain instances. Specifically, on occasion, a Chicago Pacific portfolio company has gone public through a merger with a special purpose acquisition company.

Chicago Pacific does not tailor its advisory services to the individual needs of investors in its Funds; rather, the Firm's investment advice and authority for each Fund is tailored to the investment objectives of that Fund. These objectives are governed by and described in the relevant Fund's private placement memorandum, limited partnership agreement, subscription documents, side letters, investment advisory agreement and other governing documents (collectively, "Governing Documents") and investors determine the suitability of an investment in a Fund based on, among other things, the Governing Documents. The Firm does not seek or require investor approval regarding each investment decision.

Fund investors generally cannot impose restrictions on investing in certain securities or types of securities, other than through side letters agreements. Investors participate in the overall investment program for the applicable Fund and generally cannot be excused from a particular investment except pursuant to the terms of the applicable Governing Documents. In accordance with common industry practice, Chicago Pacific has entered into side letters or similar written agreements with certain investors including those who make substantial commitments of capital or were early-stage investors in the Funds, or for other reasons in the sole discretion of Chicago Pacific, in each case that have the effect of establishing rights under, or altering or supplementing, a Fund's Governing Documents. Examples of side letters entered into include different fee structures, information rights, special reporting requests, provisions whereby investors have expressed an interest in participating in co-investment opportunities, limited partner advisory board representation and liquidity or transfer rights. These rights, benefits or privileges are not always made available to all investors, consistent with the Governing Documents and general market practice. Commencing in September 2024, Chicago Pacific will make required disclosure of certain side letters to all investors (and in certain cases, to prospective investors) in accordance with the new Private Fund Rule. Side letters are negotiated at the time of the relevant investor's capital commitment and once invested in a Fund, investors generally cannot impose additional investment guidelines or restrictions on such Fund. There can be no assurance that the side letter rights granted to one or more investors will not in certain cases disadvantage other investors.

Chicago Pacific does not participate in wrap fee programs.

## **Regulatory Assets Under Management**

As of December 31, 2023, Chicago Pacific managed approximately \$4.0 billion of regulatory assets under management, all managed on a discretionary basis.

## **Item 5 – Fees and Compensation**

Chicago Pacific and its affiliated General Partners receive fees and compensation in exchange for advisory services provided to the Funds, including management fees, carried interest, additional compensation in connection with management services performed for the portfolio investments of the Funds and reimbursements from portfolio investments for certain expenses advanced on their behalf. Differences in fees and expenses exist from Fund to Fund, and certain Funds do not charge certain fees, compensation or expenses that other Funds charge or charge them in different amounts. The following is a general description of fees, compensation and expenses of the Funds. Investors in the Funds should refer to the Governing Documents of the applicable Fund for a complete understanding of how Chicago Pacific is compensated for its advisory services; the information contained herein is a summary only and is qualified in its entirety by such documents.

## Management Fees

During a Fund's investment period, the Fund generally will pay Chicago Pacific an annual management fee (the "Management Fee") equal to up to 2.0% of aggregate non-affiliated investor capital commitments. Generally, after the earlier of: (i) the expiration of the investment period; (ii) the date the General Partner or its affiliates first receives or begins to accrue Management Fees with respect to a new equity investment fund; or (iii) the date six months after certain key man provisions are triggered, in each case, as further described in the relevant Governing Documents, the Management Fee will be equal to 2.0% of actively invested capital which are held by non-affiliated investors that have not been disposed of or completely written off, subject to various other factors. The amount of Management Fees generally will not correspond with fluctuations in a Fund's net asset value, including following the stepdown date, and will not be reduced in connection with any write downs, except in the case of investments permanently written down. Permanent write-down determinations are made in the discretion of the valuation committee in accordance with the relevant Governing Documents and the Firm's valuation policy. Except where the Governing Documents expressly provide to the contrary, Management Fees will not be reduced (in whole or in part) in the case of partial distributions or partial sales of investments. In addition, Management Fees generally will not be reimbursed or refunded under the Governing Documents in the event of realizations, dispositions or partial write-downs that occur partway through the relevant calculation period. Further, where there has been a partial disposition or permanent write-down of a Fund's investment and the fair market value of the investment following such event exceeds the total amount of the Fund's investment contributions relating to the investment, the Governing Documents do not require Management Fees after the stepdown date to be reduced.

Assessed quarterly in advance, Management Fees are collected through a capital call, through a draw-down on the line of credit or offset against a distribution to investors. All Management Fees were negotiated with investors during the fundraising period of the applicable Fund and are not subject to negotiation thereafter. Generally, investors participating in a subsequent closing after the initial closing of a Fund are responsible for paying the Management Fee as of the date of the initial closing of such Fund, plus interest, as applicable. In addition, Management Fees are payable during term extensions unless otherwise agreed to with investors.

The General Partners are permitted, in their sole discretion, to reduce or waive all or a portion of the Management Fee and Management Fees can differ from one Fund to another, as well as among investors in the same Fund. Such differences can arise from the size of an investor's commitment to a Fund, provisions of side letter agreements or other negotiated terms. Fees are generally waived for Chicago Pacific employees investing in a Fund through a General Partner and are reduced or waived for Operations Group members (as defined in Item 5.C below) and their respective families investing in a Fund (although in each case, these investors generally pay their pro rata share of certain Fund expenses). Similarly, the Real Estate Fund investors pay a lower Management Fee and investors in a Co-Investment Fund generally pay a reduced Management Fee on the co-investment portion of their

investment or none at all (although in each case, these investors pay their pro rata share of certain expenses and investors in a Co-Investment Fund pay Management Fees on the main Fund portion of their investment).

For certain Funds, the Management Fee payable on each Management Fee due date is reduced by an amount (the “Waived Fee Amount”) equal to the greater of (i) the amount of the Management Fee that the General Partner has irrevocably elected to waive in a written notice delivered to the applicable Fund prior to such Management Fee due date (or if later, the date of commitment increase with respect to such increase) or (ii) such amount as is necessary to cause the unapplied Waived Fee Amount to be not less than zero; provided, however, that the Waived Fee Amount is subject to a maximum amount as disclosed in the Governing Documents. For Fund II, payable Management Fees are reduced (but not below zero) by the Waived Fee Amount equal to “deemed contributions” made by non-affiliated investors. Certain waived portions of the Management Fee are treated by the Governing Documents as deemed capital contributions by the relevant General Partner, which is effectively invested in the relevant Main Fund on the General Partner’s behalf and operates to reduce the amount of capital the applicable General Partner would otherwise be required to contribute to the Fund. Investor capital contributions are generally accelerated due to waived or reduced Management Fees and/or the timing of when compensation that is subject to offsets is received, and Main Fund investors could thus receive less than the full benefits of such reductions or offsets, and the amount of such waived or reduced Management Fees has the potential to be significant.

Management Fees will generally be reduced by, as applicable: (i) any private placement or finders’ fees paid by a Fund to placement agents, finders or other third parties performing similar services in connection with the organization or funding of the Fund and/or any parallel investment vehicle; (ii) costs incurred by Chicago Pacific in connection with the organization of a Fund that exceed a limit as specified in such Fund’s Governing Documents; and (iii) 100% of the non-affiliated partners’ percentage of certain supplemental fees and compensation with respect to portfolio investments, including closing fees, investment banking fees, placement fees, commitment fees, breakup fees, (vi) litigation proceeds from transactions not consummated, monitoring fees, consulting fees, directors’ fees and other similar fees (whether in the form of cash, securities or otherwise); and (vii) waived Management Fees. All such supplemental fees received are offset against the Management Fee paid by a Fund net of any expenses incurred in connection with generating such fees and are allocated to a Fund (and offset against the Management Fee) only to the extent of the Fund’s relative ownership (or anticipated ownership) of such investment or potential investment as set forth in the Governing Documents. Accordingly, a Fund will only benefit from the Management Fee reduction described above with respect to its allocable portion of any such supplemental fees and not the portion allocable to any other stakeholder (which could include other Funds, Co-Investment Funds, co-investors, third parties, portfolio investment management or employees and/or others) that holds an economic interest in (or, in the case of a transaction not consummated, would have held an economic interest in) the applicable investment. Further, any reduction of a Fund’s Management Fee is only applicable



to the extent a Management Fee is payable by a Fund currently or in the future. In the event a Fund, Co-Investment Fund or investors do not pay a Management Fee or do not have an offset provision requiring the reduction of Management Fees, Chicago Pacific will retain the credited offset portion of supplemental fees allocable to these Funds without reduction. Receiving an allocable amount of supplemental fees that do not offset the Management Fee gives Chicago Pacific an incentive to maximize such amounts and to make and structure and potentially syndicate investments that could generate such amounts.

For clarity, the following fees do not offset Management Fees, in each case as applicable: (i) any fees received by or on behalf of Operations Group members; (ii) reimbursements from a portfolio investment; (iii) fees or expenses borne by a Fund; (iv) broken deal expenses; (v) profits interests or compensation to an affiliate (such as an Operations Group member) that was entered into prior to such person becoming an affiliate of Chicago Pacific, regardless of when the interests, compensation or amounts crystallize or vest; (vi) fees paid to third parties (and not Chicago Pacific or its employees) who Chicago Pacific appoints to the board of a portfolio company; (vii) fees received from a co-investor or Co-Investment Fund; or (viii) any portfolio company directors' or board fees paid by a former portfolio company to a Chicago Pacific employee or former employee who remains on the company's board of directors following the Fund's disposition of its investment in the company.

To the extent that an offset credit would reduce a Fund's Management Fee for a given quarter below zero, the credit will be carried forward for future application against payable Management Fees, and if a credit remains upon dissolution, a payment will be made to investors that have not elected to waive such amount for tax or other reasons.

### **Carried Interest**

Each Fund's General Partner is entitled to receive a carried interest allocation ("Carried Interest") with respect to the Funds, which is generally equal to 20% of all realized profits net of all expenses in excess of an 8% compound preferred return and subject to a catch-up provision, as described in full detail in the applicable Governing Documents and more briefly in Item 6, below.

### **Fund Expenses**

Each Fund is governed by its own Governing Documents, which detail a description of expenses for such Fund. While differences exist among Funds, the following is a description of expenses generally charged to each Fund. The Funds pay all other fees, costs, expenses, liabilities and obligations (which differ across Funds) related to such Funds' (and its subsidiaries' and intermediate entities') activities that are not reimbursed by portfolio investments or prospective portfolio investments and which are attributable to: (i) activities with respect to pursuing, developing (including for the Real Estate Funds, the costs and expenses of tenant and capital improvement), structuring, organizing, identifying, negotiating, consummating, financing, refinancing, diligencing (including any subscriptions to any

periodicals or databases), acquiring, bidding on, owning, managing, monitoring, operating, holding, hedging, restructuring, leasing, servicing, trading, taking public or private, selling, valuing, winding up, liquidating, or otherwise disposing of, as applicable, portfolio investments and the Funds' actual and potential investments (including follow-on investments and expenses associated with any REIT subsidiary for the Real Estate Fund) or seeking to do any of the foregoing (including any associated legal, financing, commitment, transaction or other fees and expenses payable to attorneys, accountants, tax professionals, investment bankers, lenders, third party diligence software and service providers, consultants and similar professionals in connection therewith and any fees and expenses related to transactions offered to co-investors), whether or not any contemplated transaction or project is consummated and whether or not such activities are successful; (ii) indebtedness of, or guarantees made by, the Funds, Chicago Pacific, the General Partners or any affiliates on behalf of the Funds (including any credit facility, letter of credit or similar credit support), including the repayment of principal and interest with respect thereto, or seeking to put in place any such indebtedness or guarantee; (iii) financing, commitment, origination and similar fees and expenses; (iv) broker, dealer, finder, deal consultant, underwriting (including both commissions and discounts), loan administration, private placement fees, sales commissions, investment banker, finder and similar services; (v) brokerage, sale, custodial, depository (including a depository appointed pursuant to the Alternative Investment Fund Managers Directive 2011/61/EU ("AIFMD")), trustee, record keeping, account and similar services, including a Swiss representative and paying agent (pursuant to the Swiss Collective Investment Schemes Act, as amended), including any law, rule or regulation related to the implementation thereof; (vi) legal, accounting, research, auditing, administration (including fees and expenses associated with the Funds' third party administrators and administration, tracking or reporting software, if any), information, appraisal, advisory, valuation (including third party valuations, appraisals or pricing services), real estate title, survey, hedging, consulting (including consulting and retainer fees and other compensation paid to the Operations Group (as defined below and for the Equity Funds only) or any of its members, consultants performing investment initiatives and other similar consultants), tax, fund administrator and other professional services; (vii) for the Real Estate Funds, property management, leasing, construction management, development, environmental, brokerage, sales agents and other services; (viii) reverse breakup, termination and other similar fees; (viii) directors and officers liability, errors and omissions liability, crime coverage and general partnership liability premiums and other insurance and regulatory expenses; (ix) filing, title, transfer, registration and other similar fees and expenses; (x) printing, communications, marketing and publicity; (xi) the preparation, distribution or filing of Fund-related or investment-related financial statements or other reports, tax returns, tax estimates, Schedule K-1s, or any other administrative, compliance or regulatory filings or reports (including Form PF), or other information, including fees and costs of any third party service providers, software and professionals related to the foregoing; (xii) expenses associated with reporting, filing or other compliance requirements contemplated by AIFMD (excluding expenses associated with the initial registrations, filings and compliance contemplated by the AIFMD); (xiii) developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software or other administrative or reporting tools (including subscription-

based services) for the benefit of the Funds or the investors; (xiv) any activities with respect to protecting the confidential or nonpublic nature of any information or data; (xv) for the Main Funds, advisory board expenses; (xvi) indemnification (including any fees, costs and expenses incurred in connection with indemnifying any investor or person pursuant to the Governing Documents or otherwise and advancing fees, costs and expenses incurred by any such person in defense or settlement of any claim subject to a right of indemnification); (xvii) actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including the costs and expenses of any discovery related thereto and any judgment, other award or settlement entered into in connection therewith; (xviii) any annual investor meeting or other periodic, if any, meetings of the investors, any other conference or meeting with any investor(s) and any periodic executive forum of portfolio investment management and other persons, regardless of whether all of the individuals attending or otherwise participating in any such meeting are Fund investors or representatives thereof, in each case to the extent incurred by the Funds, the General Partners or any other affiliates; (xix) expenses related to attending industry meetings, conferences or similar events in connection with the evaluation of investment opportunities or business sector opportunities (including the evaluation of potential investments, regardless of whether such investment is ultimately consummated); (xx) the Management Fee; (xxi) except as otherwise determined by Chicago Pacific in its sole discretion, any fees, costs, expenses, liabilities or obligations relating to any alternative investment vehicles (to the extent not borne or reimbursed by a portfolio investment of such alternative investment vehicle) that would be a Fund expense if it were incurred in connection with such Fund, and any expenses incurred in connection with the formation, management, operation, termination, winding up and dissolution of any feeder vehicles related to the Funds to the extent not paid by the investors investing in such entities, and any other costs and expenses related to any structuring or restructuring of the Funds' affiliated entities; (xxii) the termination, liquidation, winding up or dissolution of the Funds; (xxiii) defaults by investors in the payment of any capital contributions; (xxiv) except as otherwise provided in the Governing Documents, amendments to, and waivers, consents or approvals pursuant to, the Governing Documents, the General Partners, Chicago Pacific and any alternative investment vehicles of the Funds, including the preparation, distribution and implementation thereof; (xxv) (A) complying with any law, regulation or policy related to the activities of the Funds (including any legal fees and expenses related thereto, any regulatory expenses of the General Partners incurred in connection with the operation of the Funds, and any costs and expenses related to compliance with any environmental, social and governance investor considerations and policies of the General Partners or the Funds) and/or (B) any litigation or governmental inquiry, investigation or proceeding involving the Funds, including any costs and expenses of discovery related thereto and the amount of any judgments, settlements or fines paid in connection therewith, except to the extent such expenses or amounts have been determined to be excluded from indemnification under the Governing Documents; (xxvi) any third party experts, including independent appraisers engaged in connection with the Funds considering, making or holding an investment in the same entity as one or more other affiliates of the Funds or the General Partners; (xxvii) unreimbursed costs and expenses incurred in connection with transfers in the Funds and the most favored nations process; (xxviii) any taxes, fees and other

governmental charges levied against the Funds and all expenses incurred in connection with any tax audit, investigation, settlement or review of the Funds (including compliance with tax rules, regulations, guidance and intergovernmental agreements) except to the extent that the Funds are reimbursed therefor by an investor or such tax, fee or charge is treated as having been distributed to investors pursuant to the Governing Documents; (xxix) distributions to investors and other expenses associated with the acquisition, holding and disposition of the Funds' investments, including extraordinary expenses; (xxx) unreimbursed expenses and unpaid fees of the Operations Group or its members, employees or other persons engaged by the Operations Group (for the Equity Funds only); (xxxi) compliance or regulatory matters related to the Funds, except as set otherwise forth in the Governing Documents; (xxxii) all costs and expenses associated with operating a feeder vehicle which invests all or substantially all of its assets in such Fund to the extent not paid by investors in such feeder vehicle, including all expenses associated with its formation, management, operation, winding-up, liquidation and dissolution and with preparing and distributing such feeder vehicle's financial statements, tax returns and feeder vehicle investor reports, but not including any income-based or similar taxes, fees or other governmental charges levied against such feeder vehicle; (xxxviii) any travel (including first class commercial airfare or the cost of using private aircraft or other private air travel at a cost not to exceed the cost of first class commercial airfare), lodging, meals or entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investments and disposition opportunities; (xxxiv) any of the items listed above relating to any investment, restructuring, taking public or private, disposition, transaction, project or other opportunity not consummated or otherwise not successful and/or that may have been offered to co-investors or joint venture partners (including co-investors' or joint venture partners' proportionate share of any expenses related to an investment or other opportunity not consummated); (xxxv) any Organizational Expenses (as defined in Item 5.C below); (xxxvi) any placement fees; and (xxxvii) any other fees, costs, expenses, liabilities or obligations approved by a Fund's advisory board.

Out-of-pocket expenses associated with completed transactions are either billed directly to a Fund, reimbursed by a portfolio investment or capitalized as part of the acquisition price of a consummated transaction. Out-of-pocket expenses associated with unconsummated transactions (*i.e.*, broken deal expenses) are paid by the relevant Fund(s) selected as proposed investors in such transaction, including those terminated before the investor's admission into a Fund.

For information on Chicago Pacific's brokerage practices and fees, please see Item 12 below.

### **Expense Reimbursement and Other Expenses of the Equity Funds**

Certain expenses related to Chicago Pacific's oversight of portfolio companies incurred on behalf of the Funds are reimbursed by a portfolio company pursuant to a management services agreement with the portfolio company. These expenses are paid by Chicago Pacific and reimbursed by a portfolio company or paid directly by a portfolio company. Such expenses can include, without limitation: (i) the salaries of certain Operations Group and other employees; (ii) travel expenses, which often will

include expenses for chartered or first-class travel and meals and entertainment expenses (such expenses can include, as applicable, those relating to (a) use of premium black car and other car services, which from time to time include waiting time and (b) social and entertainment events, including closing dinners and mementos with portfolio company management, customers, clients, borrowers, brokers and service providers); (iii) expenses relating to training programs, meetings, conferences or other events (to the extent such programs, meetings or events are attended by portfolio company personnel); (iv) premium meals (including outside normal business hours); (v) expenses relating to hiring portfolio company personnel (including background checks, recruiting and relocation expenses); (vi) indemnification expenses; (vii) insurance; (viii) corporate filings; (ix) certain legal expenses; (x) similar out-of-pocket expenses; (xi) consulting fees; and (xii) other consideration and expenses.

In addition, to the extent a Fund or Chicago Pacific initially bears the cost of certain fees or expenses but the benefit of the related services or expense is also received by another Fund, portfolio company or future fund or portfolio company, Chicago Pacific will determine, subject to its ultimate discretion, whether to cause such other Fund or portfolio company to reimburse the initial Fund or Chicago Pacific for such fees or expenses. Reimbursement by a portfolio company of out-of-pocket expenses incurred by Chicago Pacific, a General Partner, or an or Operations Group member will not offset the Management Fee payable by the Funds.

One Fund portfolio company, Grace Management, provides senior living management services to both Fund portfolio companies and third parties, in each case at rates set by Grace Management which are believed to be market. These fees are not incurred for investment management services but rather relate to property management services. Any fees received by Grace Management do not reduce or offset Management Fees paid by a Fund.

### **Portfolio Company Remuneration from the Equity Funds**

As mentioned above, Chicago Pacific receives certain supplemental fees and other compensation with respect to Equity Fund portfolio investments. Chicago Pacific generally has discretion over whether to charge portfolio company fees, monitoring fees or other compensation to a portfolio company and, if so, the rate, timing, method and/or amount of such compensation, as well as to charge such amounts at varying levels in a portfolio company's holding or operating structure. The amount of such supplemental fees is paid by the Funds (directly, or indirectly by the portfolio companies) and are determined by Chicago Pacific on a transaction by transaction basis, subject to the terms set forth in each Fund's Governing Documents. In general, supplemental fees are not typically negotiated with portfolio companies on an arm's-length basis and such supplemental fees could adversely affect a portfolio company's financial performance. In most circumstances, such compensation is not reviewed or approved by an independent third party. There can be no assurance that the amount of fees charged will be proportional to the amount of hours performed on behalf of a portfolio company.

On occasion, in certain circumstances (such as a portfolio company's liquidity needs or otherwise) Chicago Pacific determines in its discretion to waive, defer or renegotiate, in whole or in part, the amount of supplemental fees received from a portfolio company. Chicago Pacific endeavors to require the payment of such fees only to the extent permitted by the earnings or cash position of the applicable portfolio company, and Chicago Pacific will defer or forego the payment of such fees if too burdensome for the portfolio company or at such time a senior credit agreement prohibits the payment of such fees. In the case of amounts deferred, such payments will generally be payable in the future, which can result in a single payment or installments of repayment amounts that are larger than if the fees had originally been paid in increments. Chicago Pacific makes such determinations on a case-by-case basis and reserves the right to take different actions (or no action) with respect to similarly situated portfolio companies.

### **Offering and Organizational Expenses**

The Funds will reimburse the General Partners for the Funds' and their affiliated entities' organizational and startup expenses (as further described in the relevant Governing Documents). The General Partners will bear the cost (through an offset against the Management Fee or otherwise) of all organizational expenses in excess of an amount as specified in the Governing Documents of such Fund, as well as any placement fees payable to any placement agent in connection with the formation of the Funds.

### **Fee Receipt Allocation**

From time to time, Chicago Pacific, a Fund or a portfolio investment agrees to pay all or a portion of Carried Interest, equity grant or other fee to a third party, such as a joint venture partner, consultant, adviser, Operations Group member, finder, placement agent, broker and/or investment banker. Similarly, on occasion certain members of a portfolio investment management team receive additional cash and equity compensation, including bonus payments based on the applicable portfolio investment meeting certain success hurdles. All such compensation, whether in the form of a profits or equity interest in a portfolio investment or immediate holding company, generally has a dilutive impact on a Fund's investment and indirectly reduces the proceeds available for distribution to the relevant Fund at the time of such portfolio investment's exit. None of these fees or compensation allocations offset Management Fees payable by a Fund.

### **Co-Investment Expenses**

In certain circumstances, Chicago Pacific permits certain investors to co-invest in investments alongside one or more Funds, subject to Chicago Pacific's related policies and procedures, the relevant Governing Documents and/or side letter(s) or similar arrangements. Certain Co-Investment Funds are assessed a Management Fee and/or a Carried Interest allocation as negotiated and agreed to with each such Co-Investment Fund. All Co-Investment Funds pay direct expenses incurred by such Fund,

with the exception of broken deal expenses, which are borne by the relevant Fund. For direct co-investments, investors are responsible for their share of relevant expenses (which are incurred at the portfolio investment) but do not pay a Management Fee or a Carried Interest allocation.

In the event a proposed co-investment transaction is not consummated, no such co-investment vehicle generally will have been formed, and the full amount of any expenses generated in the course of evaluating such investments, including out of pocket fees associated with due diligence, attorney fees, fees of other professionals and various other fees relating to such proposed but not consummated transaction (“broken deal expenses”) will be borne by the Fund(s) selected as proposed investors for such proposed transaction and not by any prospective co-investors. As a result, the Fund(s) selected as proposed investors for such proposed transaction will bear more than what would otherwise have been its share of such broken deal expenses. Conversely, co-investors who commit to a transaction after a Main Fund signs a definitive purchase agreement will lower the risk of broken deal or similar expenses incurred by such Fund (and indirectly, by such Fund’s investors) in connection with such transaction based on the timing of when a co-investor becomes contractually obligated to invest. Broken deal expenses incurred in connection with a follow-on investment for an existing portfolio investment for which the co-investment was originally created are generally recorded at the portfolio investment and therefore borne indirectly by any Fund and co-investors on a pro rata basis according to their respective investment in the portfolio investment.

## **Operations Group**

As further described in the applicable Governing Documents, Chicago Pacific, the General Partners and/or their affiliates have established an operations group (“Operations Group”) comprising persons (including operating partners) retained as employees, consultants or otherwise to provide sales, technology, human resources, data analytics, acquisition integration, rationalization and/or other operations services, acquisition or other due diligence, public relations, group purchasing, national accounts or other services (as determined by Chicago Pacific) to the Equity Funds, portfolio companies or prospective portfolio companies.

Operations Group members are recruited to lead or advise portfolio companies and are typically awarded a combination of the following compensation: salary, benefits, an annual fee or retainer, finder’s fee, transaction fees, a discretionary bonus or a success fee (in the form of cash or equity) based on pre-determined targets or milestones, directors’ fees, board fees, co-investment rights (including in Funds and/or investments in which they are not involved), board fees and equity-based compensation (including management equity units) by the portfolio company to which they provide services.

Certain fees payable to Operations Group members are associated with a particular transaction and are included in the closing costs payable by the applicable portfolio company. Some fees, such as board fees, are paid by a portfolio company, while other fees, such as the salaries of certain designated

Operations Group personnel up to a specified amount, are paid by a Fund, by a portfolio company or paid by Chicago Pacific on behalf of a Fund or portfolio company and later reimbursed to Chicago Pacific by such Fund or portfolio company. Some Operations Group members are engaged directly by portfolio companies and paid directly by such portfolio company or on occasion paid by Chicago Pacific on behalf of such portfolio company and later reimbursed to Chicago Pacific by the portfolio company. Work performed by Operations Group members for unconsummated transactions is borne by the Fund(s) that was to have participated in such transaction as part of broken deal expenses.

Operating Partners typically incur expenses while working with Chicago Pacific portfolio companies or potential portfolio companies, including but not limited to, the cost of travel to portfolio companies and other out-of-pocket costs, and such expenses are paid or reimbursed by either Chicago Pacific (generally in the case of work performed for the management company), the relevant portfolio company (generally in the case of consummated transactions) or the relevant Fund (generally in the case of unconsummated transactions). Certain of the Operations Group members are permitted to invest in a Fund General Partner and are also entitled to receive a portion of the Carried Interest paid to each Fund's General Partner, as determined by Chicago Pacific in its sole discretion.

To the extent that Operations Group members are paid retainers or guaranteed minimum compensation amounts, there is the possibility that certain portfolio companies or Funds will bear a greater share of such compensation due to a higher utilization of the Operations Group member's services. Under many of these arrangements, there can be no assurance that the amount of compensation paid in a particular year will be proportional to the amount of hours worked or the amount of work generated by the Operations Group member.

As provided in the relevant Fund's limited partnership agreement, fees, bonuses, profits, interests, equity units and other forms of compensation from a portfolio company for services provided by an Operations Group member as an employee of, or in a similar capacity for, a portfolio company or any of its subsidiaries will not offset or reduce the Management Fee. The determination of the appropriate form and amount of compensation for such services takes into account a variety of factors but will ultimately be at the discretion of Chicago Pacific or the relevant portfolio company, as applicable. Some Operations Group members are also investors in the Chicago Pacific Funds and participate as direct co-investors in the portfolio companies in which they are involved.

## **Seconded Employees**

From time to time, employees of Chicago Pacific are seconded to fill positions at portfolio investments provided that such employee costs are no greater than what would have been paid to such employee for similar overall services, as determined by the relevant Fund General Partner in good faith. These



amounts will be paid by the applicable portfolio investment and such amounts will not offset the Management Fee payable to Chicago Pacific.

### **Allocation of Fees and Expenses**

In good faith and in its fair and reasonable discretion, Chicago Pacific determines on a case-by-case basis whether an expense should be borne by the Firm, a Fund, multiple Funds or a portfolio investment. To the extent that the Governing Documents do not expressly provide for a method of allocation or to the extent that an invoice does not relate to a specific Fund, Chicago Pacific will typically allocate common expenses among multiple Funds on a pro rata basis and in accordance with its policies and procedures on expense allocation, unless another method is more equitable. Some expenses are incurred on an aggregate basis for the benefit of multiple Funds and/or Chicago Pacific. The aggregate cost of such expenses are allocated in a fair and reasonable manner and in Chicago Pacific's sole discretion. Where one or more Funds to which an expense would otherwise be allocable are not permitted to receive an allocation based on the applicable Governing Documents, the portion of the expense attributable to such Fund will be borne by Chicago Pacific.

### **Item 6 – Performance-Based Fees and Side-By-Side Management**

A carried interest allocation represents an adviser's compensation based on a percentage of net profits of the clients it manages. The General Partners generally entitled to receive a Carried Interest allocation equal to 20% of certain realized profits net of all expenses in excess of an 8% compound preferred return and subject to a catch-up provision, as more fully described in the applicable Governing Documents. Calculated based on cumulative realized gains and income only, Carried Interest is allocated to a General Partner as portfolio holdings are liquidated or otherwise monetized and is subject to a potential after-tax giveback at certain interim intervals and at the end of life of the Fund if the General Partner has received excess cumulative Carried Interest distributions, as provided in the Governing Documents. Each Fund's Carried Interest calculation is further described in the relevant Governing Documents received by each investor prior to investment in such Fund.

Chicago Pacific's Carried Interest allocations have been structured subject to Section 205(a)(1) of the Advisers Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. The General Partner of each Fund is permitted, in its sole discretion, to waive or reduce the amount of Carried Interest for an investor in a Fund. Specifically, if Chicago Pacific principals and employees have invested in the Funds through the General Partner and/or as Fund investors, they will generally not pay Carried Interest. Similarly, Chicago Pacific family members, Operations Group members and certain friends of the Firm generally pay a lower amount of Carried Interest or none at all. In addition, investors in Co-Investment Funds generally pay a lower amount of Carried Interest on the co-investment portion of their investment.

The fact that the General Partners' Carried Interest allocations are based on the performance of the Funds can create an incentive for a General Partner to make investments that are more speculative than would be the case in the absence of such distributions or to allocate an investment to a Fund that earns a higher Carried Interest, if applicable. Chicago Pacific believes this incentive is sufficiently mitigated, however, due to the fact that: (i) the applicable Governing Documents create limitations on the ability of Chicago Pacific to establish new investment funds; (ii) the Funds are subject to certain contractual provisions requiring certain parallel Funds to purchase and sell investments contemporaneously if they share an investment through a contemporaneous initial investment; (iii) any losses a Fund sustains will reduce such Fund's performance and thus the relevant General Partner's Carried Interest distribution; (iv) Carried Interest is generally calculated only after investors have received 100% of their capital contributions plus a preferred return; (v) a General Partner often makes a substantial commitment to the Fund to invest its own capital alongside the investors; and (vi) Chicago Pacific's ability to attract future investors is tied to the performance of its investments. Chicago Pacific generally considers performance-based compensation to better align its interests with those of its investors, particularly in instances where the Governing Documents include terms requiring clawback or giveback of performance-based compensation amounts at the end of the relevant Fund's life or at certain interim intervals.

Chicago Pacific manages multiple Funds with similar investment strategies on a side-by-side basis. Management of multiple vehicles on a side-by-side basis has the potential to create a conflict of interest in: (i) allocating time and activity among the multiple Funds; (ii) allocating investments among the multiple Funds; and (iii) effecting transactions among the multiple Funds, including ones in which Chicago Pacific and/or the General Partners have a greater financial interest. Although Chicago Pacific generally makes new investments for a Fund with the same investment objectives only after a predecessor Fund is substantially invested or committed as more fully described in the applicable Fund's Governing Documents, management of side-by-side Funds can create an incentive for Chicago Pacific to favor a Fund in which it and/or a General Partner have a greater financial interest. To the extent that Chicago Pacific manages Funds with varying Carried Interest terms (including amount, timing waterfall conditions or other terms) and/or Chicago Pacific personnel are assigned different percentages of Carried Interest in different Funds, Chicago Pacific and such personnel are subject to potential conflicts of interest to the extent they are involved in identifying investment opportunities as appropriate for a Fund from which they are entitled to receive a higher Carried Interest percentage. Similarly, in the event certain employees and affiliated personnel may be offered the opportunity to co-invest in a portfolio company in accordance with the Governing Documents for such Fund. While Chicago Pacific believes this co-investment arrangement will help align the interests of employees and other affiliated personnel with those of investors, this arrangement also gives rise to conflicts of interest. For example, an employee would have an incentive to focus on creating value in the portfolio companies in which such employee made co-investments, even if it would be in a Fund's interest for the employee to prioritize other portfolio companies that would be more significant drivers of overall Fund returns.

To help minimize such conflicts of interest, the Firm has implemented policies and procedures to ensure that all Funds receive equitable and fair treatment with respect to the allocation of investment opportunities, in accordance with each Fund's Governing Documents and taking into consideration certain factors as determined relevant in the Firm's sole discretion, which can include, but are not limited to: the amount of available capital commitments of the applicable Fund(s); anticipated future capital requirements of an investment opportunity; life-cycle of the applicable Fund(s); expected time to obtain liquidity; legal, tax and regulatory considerations; and any other factors deemed relevant by Chicago Pacific. Chicago Pacific's procedures are designed to ensure that all investment decisions are made in accordance with Chicago Pacific's fiduciary duties to its Fund and without consideration of Chicago Pacific's (or its affiliates' or employees') pecuniary interest. Chicago Pacific will not allocate investment opportunities based in whole or in part, on the relative fee structure or amount of fees paid by any Fund the profitability of any Fund. Investment allocation decisions are determined by the relevant investment committee.

## **Item 7 – Types of Clients**

Chicago Pacific provides investment advice to its Funds. The Funds limits their investors to persons who are: (i) "accredited investors" as defined in the Securities Act of 1933, as amended ("Securities Act") and either (ii) "qualified purchasers" or "knowledgeable employees," each as defined in the Investment Company Act or (iii) if applicable, "qualified clients," as defined in the Advisers Act. Investors must also meet certain other suitability qualifications prior to making an investment in the Funds. The Funds are not registered or required to be registered under the Investment Company Act; are not made available to the general public; their securities are not registered or required to be registered under the Securities Act; and Fund interests are privately placed to qualified investors. Qualified investors include individuals or entities to which Fund interests are permitted to be sold, which generally includes (i) in the United States, people or organizations who meet certain net worth, income and/or financial sophistication requirements as described above or (ii) in other countries, as permitted by the relevant securities laws in such jurisdiction and in compliance with any foreign offering provisions applicable to Chicago Pacific and/or the Funds. The Funds (other than Co-Investment Funds) typically require minimum investment amounts of \$5 million, but commitments of less than \$5 million have been accepted in the General Partners' discretion.

The investors participating in the Funds typically include high net worth individuals, other investment entities, university endowments, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations, fund of funds or other corporations or business entities and also include, directly or indirectly, principals or other employees of Chicago Pacific and its affiliates and members of their families, Operations Group members or other service providers retained by Chicago Pacific.

On occasion, Chicago Pacific offers co-investment opportunities for certain investors to invest alongside a Fund in certain Fund portfolio investments. As referenced in Item 4 above, co-investments have been structured either as: (i) a separate Co-Investment Fund or (ii) a direct

investment by certain investors into a portfolio investment or its holding or operating company. When structured as a Co-Investment Fund, Chicago Pacific considers the investment to be a Fund client, identifies the Fund in its Form ADV Part 1, Schedule D, Section 7.B.(1), obtains an audit for the Fund, reserves the right to assess a Management Fee and/or Carried Interest on such Fund and includes the amount of assets of such Co-Investment Fund in the Firm's regulatory assets under management. In the case of direct co-investments, Chicago Pacific does not consider the investment to be a Fund or a client, does not act as the investment manager to the co-investment portion of the investment, does not charge Management Fees or Carried Interest to the investment, does not have custody of the investment or include the amount of assets of the co-investment in the Firm's regulatory assets under management. In such direct co-investment opportunities, Chicago Pacific will perform management, advisory and other services for the portfolio investments in which these co-investors invest alongside the Funds, generally at no additional cost to such co-investors except portfolio investment fees and expenses (which such fees and expenses are recorded at the portfolio investment).

Opportunities to participate in co-investment transactions arise when Chicago Pacific has the opportunity for an investment in an existing or prospective portfolio investment and determines that (i) an investment requires additional capital, (ii) all or a portion of the applicable opportunity is not required to be offered to a Fund, (iii) the full investment opportunity is not appropriate for a Fund, whether due to concentration restrictions contained in the Fund's Governing Documents or otherwise or (iv) Chicago Pacific believes the Fund will benefit from the participation of the co-investor(s). Chicago Pacific will select the investors and outside third parties that are permitted to co-invest in a particular portfolio investment in its sole discretion based on various factors, including those detailed in the applicable Governing Documents, side letters, agreements with lenders and as specified in its internal policies and procedures. Subject to any restrictions contained in the Governing Documents of the relevant Fund or any side letter or other terms negotiated with respect to such Fund, in general no investor has a right to participate in any co-investment opportunity.

While one or more investors in the Funds are on occasion invited to co-invest in a Fund's portfolio investments, Chicago Pacific is authorized in its sole discretion to offer any or all of a co-investment opportunity to investors that are not investors in the Funds. Opportunities to co-invest in a portfolio investment are made available to select Fund investors and third parties, including, without limitation, management or founders of the applicable portfolio investment, joint venture partners, co-sponsors, strategic investors, lenders, deal sources (including finders and consultants), other sponsors (including other private equity or venture capital firms), service providers, Operations Group members other persons or entities affiliated, associated or otherwise known to Chicago Pacific or its personnel. Additionally, certain individuals who source transactions or provide financing have in the past and may in the future negotiate co-investment rights or co-investment priority rights as a component of their compensation or other arrangements with the relevant Fund(s). Chicago Pacific's exercise of discretion in allocating co-investment opportunities often will not always result in proportional

allocations among such co-investors and such allocations can be more or less advantageous to some co-investors relative to other co-investors. In circumstances where Chicago Pacific has offered a co-investment opportunity, the size of the investment opportunity otherwise available to a Fund will often be less than it would otherwise have been without the inclusion of such co-investors.

Co-investments typically involve investment and disposal of interests in the applicable portfolio investment at the same time and on the same terms as a Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-investment vehicle purchases a portion of an investment from a Fund after such Fund has consummated its investment in the portfolio investment (also known as a post-closing sell-down or transfer). Any such purchase from a Fund by a co-investor or co-investment vehicle generally occurs shortly after the Fund's completion of the investment to avoid any changes in valuation of the investment; however, in certain instances, a post-closing sell-down or transfer could occur well after the Fund's initial purchase. When co-investors purchase their interest from a Fund after the Fund has consummated the investment, the price paid by co-investors is typically determined by the Fund's General Partner in its sole discretion. Where appropriate, and in Chicago Pacific's sole discretion, Chicago Pacific reserves the right to charge interest on the purchase to the co-investor or co-invest vehicle (or otherwise equitably to adjust the purchase price under certain conditions), and to seek reimbursement to the relevant Fund for related costs. However, to the extent such amounts are not so charged or reimbursed, they generally will be borne by the relevant Fund. The price may not reflect the full cost incurred by the Fund in connection with the investment, any interest charge on the co-investment amount, the cost of establishing the credit facility utilized to acquire the portfolio investment (if applicable) or the risk borne by the Fund in connection with purchasing and warehousing the investment. The Funds also will bear the risk that any co-investors acquiring an interest in an investment after the closing of such investment may acquire such interest on terms that do not reflect the then-current value of such investment.

In either case, potential co-investors typically do not bear any transaction costs of investments that are not consummated and are not subject generally to the same risks to which a Fund is throughout the investment process. As fees paid by or on behalf of co-investors in portfolio companies are not subject to a Management Fee offset and are thus retained by Chicago Pacific, the opportunity to receive such fees presents a conflict of interest in that Chicago Pacific could be incentivized to allocate a greater portion of an investment to a co-investor than it would have otherwise allocated absent such an arrangement. Further, as Management Fees are offset based on each Fund's invested capital in an investment, the inclusion of co-investors presents a conflict of interest in that Chicago Pacific could be incentivized to allocate a greater portion of an investment to a co-investor than it would have otherwise allocated absent such an arrangement. Chicago Pacific seeks to address any such potential conflict of interest by investing in accordance with its policies and procedures governing investment allocation and co-investments. In addition, to the extent that Chicago Pacific engages in a secondary liquidity transaction in connection with an investment, co-investors will not necessarily receive the

same liquidity options as investors in a Fund and may therefore be compelled to receive cash or continue to hold an interest in the investment, depending on the particular facts of the transaction.

In the event Chicago Pacific is not successful in offering a co-investment opportunity to potential co-investors, in whole or in part, it is possible that a Main Fund will consequently hold a greater concentration and have greater exposure in the related investment opportunity than was originally intended, which could make the Fund more susceptible to fluctuations in value resulting from adverse economic and/or business conditions with respect thereto and would result in a greater concentration of risk as a result. To mitigate such risk, each investment is subject to concentration limits as described in the relevant Fund Governing Documents. Despite these concentration limits, it is possible an investment that is not syndicated to co-investors as originally anticipated could result in a significant impact to a Fund's overall investment returns.

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

### **General**

Founded in 2014, Chicago Pacific is based on the shared belief amongst its managing partners that the most significant societal impact and investment returns from healthcare will be generated by investment in the healthcare delivery model innovation. The Firm invests in companies that it believes are positioned to lead innovations in healthcare delivery and in caring for aging populations. The Funds primarily focus on investment opportunities in four dynamic subsectors where the Firm has extensive knowledge and expertise: healthcare service providers, post-acute care, independent living communities and technology companies that improve care quality while reducing costs.

### **Investment and Operating Strategy – The Equity Funds**

Chicago Pacific is primarily focused on control or co-control investments (with like-minded co-investors) in growth equity investments in the United States within innovative companies in the specialty healthcare services, value-based care, and technology enabled services sectors. Chicago Pacific seeks proprietary opportunities in target sectors that can be acquired at a reasonable entry valuation, usually outside of a competitive process, where the current portfolio company principals value the operational expertise and growth assistance that Chicago Pacific believes it can bring to the table. Chicago Pacific invests in opportunities where it has deep sector knowledge and relationships and believes that it can be a value-added partner by using its relationships to source new revenue streams, expand margins and add to the bench of clinical and management talent inside the portfolio company.

Once an investment opportunity has been identified, Chicago Pacific seeks to implement an effective operating strategy to improve the performance of the acquired company by: (i) identifying leading management talent; (ii) aligning objectives with strategic industry partners; (iii) discovering opportunities to add revenue; and (iv) finding cost savings opportunities to drive margin expansion.

Chicago Pacific takes a proactive and methodical approach to originating investment opportunities that leverages its deep healthcare industry expertise and the networks it has developed over the managing partners' years of collective experience. The Firm is disciplined in selecting investment opportunities in its target sectors. Chicago Pacific does not rely upon deal flow from the large and middle-market investment banks, boutiques, lawyers and accountants but rather seeks to maintain a highly disciplined approach to result in proprietary or limited auction opportunities, reasonable entry valuations and situations where Chicago Pacific believes growth acceleration levers can add value over the investment holding period.

### **Investment and Operating Strategy – The Real Estate Funds**

The Real Estate Funds seek to invest in equity and debt interests in senior housing (independent living, assisted living and memory care) and medical office real estate, real estate-related assets and real estate operating companies in the United States through a value-added and opportunistic investment and management strategy. Chicago Pacific is disciplined in selecting investment property opportunities in its target sectors. The Firm seeks to maintain a highly disciplined approach that will result in reasonable entry valuations that will support leading returns that can add value over the investment holding period.

Once a real estate investment opportunity is identified, a deal team is assigned that includes at least one real estate managing partner. The deal team assesses the attractiveness of the property, operations, competitive landscape, capital markets, demographic positioning, micro and macro-economic outlook and Chicago Pacific's ability to add value using its network, expertise and resources post-closing. After receiving preliminary approval from the relevant investment committee, the deal team will move forward with a comprehensive due diligence effort to fundamentally understand the operations of the target property and anticipate the key risks that might threaten the target property in the future, placing particular emphasis on validating sustainable growth trends, identifying highly visible/recurring revenue streams and properties well positioned to take advantage of the growth dynamic Chicago Pacific believes is present in the medical office and senior living markets.

The applicable Governing Documents of each Fund set forth more detailed descriptions of each Fund's investment strategies and methods of analysis. There can be no assurance that Chicago Pacific will achieve the investment objectives of the Funds and a loss of investment is possible.

### **Risks of Investment for all Funds**

The Funds and their investors bear the risk of loss that Chicago Pacific's investment strategy entails. For a more complete description of the risks involved with an investment with Chicago Pacific, please see the relevant Governing Documents for a description of the risk factors specific to their Fund. Prospective investors are cautioned that investments in securities involve risk of loss, including the possibility of a complete loss of the amount invested, and that they should be prepared to bear these

risks. Different or new risks not addressed below can and are likely to arise in the future and, therefore, the following list is not intended to be exhaustive. All investors should be aware of certain risk factors, which include, but are not limited to, the following:

*Concentration of Investments; Lack of Diversification.* The Funds will participate in a limited number of investments and intend to make most of their investments in certain regions, sectors or asset classes within a short period of time. As a result, each Fund's investment portfolio will be highly concentrated, and the performance of one or a few holdings or of a particular sector or asset class can substantially affect a Fund's aggregate return. In circumstances where Chicago Pacific intends to refinance all or a portion of the capital invested in a transaction, there will be a risk that such refinancing possibly could not be completed, which could lead to increased risk as a result of a Fund having an unintended long-term investment as to a portion of the amount invested and/or reduced diversification. If a Fund co-invests with another private equity or private real estate fund, an investor invested in such other fund could have exposure to a single portfolio investment through more than one fund, potentially multiplying such investor's losses.

If certain investments perform unfavorably, then in order for a Fund to achieve above average returns, one or a few of its investments must perform very well, and there can be no assurances that this will be the case.

*Distressed Investments.* The Funds are permitted to purchase, directly or indirectly, investments that are experiencing significant financial or business distress, including securities, companies or real estate assets involved in bankruptcy or other reorganization and liquidation proceedings. Many of these investments ordinarily remain unpaid unless and until the investment is reorganized and/or emerges from bankruptcy proceedings, and as a result could have to be held for an extended period of time. There can be no assurance that Chicago Pacific will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action.

*Lack of Sufficient Investment Opportunities.* The business of identifying, structuring and completing private equity or real estate and real estate-related transactions is highly competitive and involves a high degree of uncertainty. The Funds will encounter competition from other entities having similar investment objectives. Some of these competitors could have more relevant experience, greater financial resources, a greater willingness to take on risk, and/or more employees than the Firm, the Funds and their affiliates.

Additionally, the Funds will incur bid, due diligence or other costs on investments that are not successful. As a result, a Fund would potentially not recover all of such costs, which would adversely affect returns. To the extent that the Funds encounter competition for investments, returns to investors, if any, could decrease. In addition, it is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified and consummated. However, regardless of the extent to which commitments of the investors are invested (or drawn down to be invested),



investors will be required to bear Management Fees during the investment period based on the entire amount of the investors' commitments to such Fund and other expenses as set forth in the Governing Documents.

*Dynamic Investment Strategy.* While Chicago Pacific generally intends to seek attractive returns for the Funds primarily through making private equity investments and debt interests in senior housing (independent living, assisted living and memory care) and medical office real estate, real estate-related assets and real estate operating companies as described herein, the Firm reserves the right to pursue additional investment strategies and/or also reserves the right to modify or depart from its initial investment strategy, investment process and investment techniques as it determines appropriate. Chicago Pacific also reserves the right to pursue investments outside of the sectors, asset classes or regions in which the principals have previously made investments or have internal operational experience.

*Risks of Investing in the Healthcare Sector.* The Funds expect to make investments in the various sectors within the healthcare industry, which are subject to regulatory controls by international, national, and, in some instances, local governmental authorities. The nature and scope of healthcare regulations are generally subject to political forces and market considerations. While investments in healthcare companies offer the opportunity for significant gains, such investments also involve a high degree of business and financial risk and can result in substantial or total loss. Healthcare reform continues to be a significant factor in the profitability of healthcare companies, particularly with the focus on coordinated and value-based care initiatives and departures from fee for service driven models. New laws, regulations and judicial decisions, or new interpretations of existing laws, regulations and decisions that relate to healthcare availability, methods of delivery or payment for products and services, or sales, marketing or pricing, can have a material negative impact on the performance of portfolio investments that operate in this industry.

Chicago Pacific cannot predict whether new legislation or regulations governing the healthcare industry will be enacted by legislative bodies or governmental agencies, or what effect such legislation or regulations might have. In both the U.S. and foreign markets, sales of healthcare products and services, and the success of such platforms, frequently depend, in part, on the availability of reimbursement from third-party payors such as governmental health programs, private health insurers (*i.e.*, commercial payors), and other organizations. The levels of revenues and profitability of providers/suppliers of healthcare products and services can be affected by the continuing efforts of governmental and third-party payors to contain or reduce the costs of healthcare. Significant uncertainty exists as to the reimbursement status of certain healthcare products and services. There can be no assurance that a company's proposed products or services will be considered cost-effective or that adequate third-party reimbursement will be available to enable a company to maintain price levels sufficient to realize an appropriate return on its investment. Further, companies in the healthcare industry are often subject to significant risks related to litigation and liability for damages in connection with their operations, or products and services offered. The litigation and liability

environment in the healthcare industry is constantly evolving, and new judicial decisions and legislative activity can increase exposure to any of these types of claims. Even if liability insurance is maintained by a portfolio investment, it can sometimes not be adequate to cover potential liabilities, including as a result of warranty and product liability claims. Healthcare companies can face intense competition, including competition from companies with greater financial resources, more extensive research and development, sales and marketing, customer services and support and other capabilities and a larger number of qualified managerial and technical personnel. The manufacturing of healthcare products is a highly complex process, to which regulators apply stringent standards. From time to time, issues can arise in manufacturing that can result in a delay or suspension of a product, or even a recall of a product. An error can arise in the production process that results in the contamination of a product or batch, or more simply, a product batch being produced outside of approved specifications as a result of production variability. Corrective actions to such events can impact profitability and sometimes remove products from the market. Healthcare companies whether focused on or possessing healthcare technological components often face specific risk which a Fund could be exposed to by investing in or leasing its assets to such companies. Such risks typically include: (1) rapidly changing science and technologies; (2) new competing products and improvements in existing products which can quickly render existing products or technologies obsolete; (3) scarcity of management, technical, scientific, research and marketing personnel with appropriate training; (4) the possibility of lawsuits related to patents and other intellectual property and their associated rights; and (5) rapidly changing investor sentiments and preferences with regard to technology sector investments.

*Healthcare Regulation and Reimbursement.* Healthcare and healthcare related companies are generally subject to greater governmental regulation than most other industries at the U.S. federal, state and local levels, and internationally. In March 2010, comprehensive healthcare reform legislation was enacted in the United States through the Patient Protection and Affordable Care Act, as amended by the Healthcare and Education Reconciliation Act (collectively, the “Healthcare Reform Act”). These laws are intended to increase health insurance coverage through individual and employer mandates, subsidies offered to lower income individuals, tax credits available to smaller employers and broadening of Medicaid eligibility. While one intent of healthcare reform is to expand health insurance coverage to more individuals, it could also involve additional regulatory mandates and other measures designed to constrain medical costs, including coverage and reimbursement for healthcare services. The Healthcare Reform Act has had a significant impact on the healthcare sector in the U.S. and consequently has the ability to affect the companies within the healthcare industry in which the Funds invest or to which the Funds lease assets. The ultimate effects of federal healthcare reform or any future legislation or regulation, or healthcare initiatives, if any, on the healthcare sector, whether implemented at the federal, state or local level, or internationally, cannot be predicted with certainty and such reform, legislation, regulation or initiatives, including the Healthcare Reform Act, can adversely affect the performance of the Funds’ investments or the companies to whom the Funds lease assets.

*Governmental and Third-Party Payors.* In both the U.S. and foreign markets, sales of a healthcare company's products and its success will depend in part on the availability of reimbursement from third-party payors such as government health administration authorities, private health insurers and other organizations. The levels of revenues and profitability of healthcare companies will likely be affected by the continuing efforts of governmental and third-party payors to contain or reduce the costs of healthcare. Significant uncertainty exists as to the reimbursement status of newly approved healthcare products. There can be no assurance that a company's proposed products will be considered cost-effective or that adequate third-party reimbursement will be available to enable a company to maintain price levels sufficient to realize an appropriate return on its investment in product development.

*Illiquidity; Lack of Current Distributions.* An investment in the Funds should be viewed as illiquid. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments can be realized before gains on successful investments are realized. Illiquidity can result from the absence of an established market for the investments, as well as legal, contractual or other restrictions on their resale by the Funds. Dispositions of investments are often subject to contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any disposition thereof. In view of these limitations on liquidity, the return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment can be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, it is possible that there will be no current return on the investment. Furthermore, the expenses of operating the Funds (including the Management Fees) could exceed its income, thereby requiring that the difference be paid from a Fund's capital, including unfunded commitments. Due to the fact that the Funds are generally only obligated to make distributions after taking into account reserves for future obligations and are permitted to reinvest, rather than distribute, or otherwise recall certain proceeds from investments (subject to certain limitations set forth in the Governing Documents), an investment in the Funds is not suitable for prospective investors seeking current income for financial or tax planning purposes.

*Leveraged Investments; Borrowing.* The Funds make use of leverage in the acquisition, operation and ownership of their investments and are permitted to refinance their investments, if desirable. As security for such borrowing, a Fund is permitted to guarantee an investment's debt and/or grant liens on one or more of a Fund's assets to the lender or other counterparty. Such lender or other counterparty would, accordingly, have a claim that has priority over any claim by an investor to such assets in an insolvency event or proceeding. It is not expected that a Fund would be compensated for providing such guarantee or exposure to such liability. Moreover, a Fund's co-investors are expected to receive the benefit of such guarantee, although as co-investors typically do not agree to participate in guarantee arrangements in negotiating to participate in a transaction, co-investors are not expected to bear a commensurate percentage of potential liability. Additionally, a Fund's investments could

incur indebtedness on a cross-collateralized basis with each other, in which case the negative performance of one such investment could have a material adverse effect on any other investment whose indebtedness is cross-collateralized with such investment. Such use of leverage generally magnifies both such Fund's opportunities for gain and its risk of loss from a particular investment, and the magnification of the risk of loss could be substantial. The cost and availability of leverage is highly dependent on the state of the broader credit markets (which can be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast. As a result, at times it can be difficult to obtain or maintain the desired degree of leverage. The availability of leverage also is subject to governmental and regulatory oversight, and certain governmental bodies (including the U.S. Federal Reserve System, the U.S. Office of the Comptroller of the Currency and the U.S. Federal Deposit Insurance Corporation) can restrict or otherwise discourage lending that results in companies carrying large amounts of debt.

The use of leverage by a Fund will also result in interest expense and other costs that potentially are not covered by distributions made to such Fund or by appreciation of its investments. The use of leverage also imposes restrictive financial and operating covenants on an investment, in addition to the burden of debt service, and can potentially impair an investment's ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio investments will increase the exposure of a Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of such Fund's investments in the leveraged portfolio investments in a down market. In the event an investment cannot generate adequate cash flow to meet its debt service, a Fund can suffer a partial or total loss of capital invested in the investment, which can adversely affect the returns of a Fund. Additionally, lenders typically have a priority claim over any claim by a Fund to the assets of a portfolio investment in an insolvency event or proceeding. In the event credit markets are limited or costly at the time a Fund determines that it is desirable to sell all or a part of a portfolio investment, there can be no guarantee that a Fund will achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, for private equity fund investments, the companies in which a Fund will invest generally will not be rated by a credit rating agency. Any failure by lenders to provide previously committed financing could also expose a Fund to potential claims by sellers of businesses which the Fund is contracted to purchase.

At times, a Fund will also borrow money or guaranty indebtedness (such as a guaranty of a portfolio investment's debt) or otherwise be liable therefor, and in such situations, it is not expected that a Fund would be compensated for providing such guarantee or exposure to such liability. Although use of borrowing facilities will generally enhance Chicago Pacific's ability to close transactions quickly, such borrowing activity also increases risk and raises the possibility that Chicago Pacific will need to call additional capital to pay off such debt. While Fund-level borrowings generally will be interim in nature, asset-level leverage generally will not be subject to any limitations regarding the amount of time such leverage can remain outstanding. The Funds are permitted to incur leverage on a joint and

several basis and, in connection with incurring such indebtedness, the General Partner could, in its sole discretion, cause a Fund to enter into one or more agreements to obtain a right of contribution, subrogation or reimbursement from or against such other Funds. It is possible, however, that if and when a Fund were to seek to enforce any such right, any such entity could default on its obligation and/or such right is unenforceable. In addition, to the extent a Fund incurs leverage or provides any guarantee, such amounts could be secured by capital commitments of the Fund's investors and other Fund assets. The inability of a Fund to repay any leverage secured by the investors' capital commitments has the potential to enable a lender to issue a capital call on behalf of the General Partner of such Fund.

Although borrowings by a Fund have the potential to enhance overall returns that exceed the Fund's cost of capital, such borrowings can increase the potential exposure of a Fund to a particular investment above the level the Fund would have typically made had an investment been limited to equity. Any such borrowings can further diminish returns (or increase losses on capital) to the extent overall returns are less than the Fund's cost of funds. To the extent a Fund uses borrowed funds in advance of or in lieu of capital contributions, the Fund will bear the expense of interest on such borrowed funds. The Funds typically pay interest on amounts borrowed under the credit facility and also pay a fee on the undrawn portion of the credit facility. Funds customarily pay a one-time fee for establishing the credit facility as well as certain other one-time and recurring fees and expenses. While a Fund will bear the expense of borrowed funds, such borrowings can also increase the Carried Interest received by a General Partner by effectively reducing or eliminating the preferred return received by the investors and accelerating or increasing distributions of Carried Interest to the relevant General Partner.

*Bridge Financing.* Although Chicago Pacific generally structures Funds to avoid cross-guarantees and other circumstances in which one Fund bears liability for all or part of the obligations of another Fund, in certain circumstances: (i) a cross-guarantee can be more efficient and convenient for administrative purposes and/or (ii) lenders and other market parties can negotiate for the right to face only select Fund entities, which can result in a single Fund being solely liable for other Funds' share of the relevant obligation and/or joint and several liability among Funds. In each such case, Chicago Pacific intends to cause the relevant other Funds to enter into a back-to-back guarantee, indemnification or other similar reimbursement arrangement; provided, however, that the Fund undertaking the obligation in the first instance generally will not receive compensation for being primarily liable under these arrangements.

Further, on occasion a Fund has drawn on its line of credit to bridge financing to a portfolio investment. In such circumstances, the applicable Co-Investment Fund or portfolio investment is not a guarantor on the line of credit although it does receive the benefit of the loan. The applicable Co-Investment Fund or portfolio investment repays the loan and all interest and fees on the loan and the Fund does not incur any expenses associated with use of the Fund's line of credit. Additionally, in

the event Chicago Pacific or a General Partner lends a Fund capital through a short-term loan facility to bridge an investment pending the receipt of capital contributions from the Fund investors, subject to such Fund's Governing Documents, the relevant General Partner is permitted to, but is not required to, charge such Fund (including the Fund investors) interest costs incurred in connection with such loan for the time period between the receipt of capital from such loan to the date on which the loan is paid off by such Fund.

*No Market for Interests; Restrictions on Transfer; No Right of Withdrawal.* Interests in the Funds generally cannot be transferred, sold, assigned, pledged or otherwise encumbered without the prior written consent of the relevant General Partner in its sole discretion. In addition, interests in the Funds can be restricted in order to comply with certain safe harbors under tax regulations. Voluntary withdrawals from a Fund generally are not permitted except in very limited circumstances typically involving situations where retaining an interest in a Fund would violate certain laws or regulations. In addition, Fund interests are not redeemable. There will be no public market for the Funds' interests, and none is expected to develop. Interests in the Funds have not been registered under the Securities Act, the securities laws of any state or the securities laws of any other jurisdiction and therefore cannot be resold unless they are subsequently registered under the Securities Act and other applicable securities laws, or unless an exemption from registration is available. It is not contemplated that registration of the interests in the Funds will ever be effected. Investors generally will not be able to liquidate their investments prior to the end of a Fund's term and must be prepared to bear the risks of an investment in such Fund for an extended period of time.

*Certain Risks and Conflicts of Interest Related to Public Company Holdings.* Certain Funds hold interests in public companies. As described above in Item 4, such situations generally arise due to either: (i) taking a portfolio company public (either through: (a) a traditional securities registration and offering process or (b) sponsoring or merging with a special purpose acquisition company (a "SPAC"); (ii) the acquisition of a portfolio company by a public company; or (iii) the acquisition of public company securities within the permitted authority of the Firm under the relevant Governing Documents). In addition, on occasion a Fund can receive stock of certain portfolio companies as a fee due to the service of Chicago Pacific employees on the boards of such portfolio companies. Although such fees are generally subject to offset as described above, the recipients (including Chicago Pacific) of such stock generally will be able to determine the timing of the stock's disposition, which creates in certain circumstances a conflict of interest between the Firm and its related persons, on the one hand, and the Fund, on the other.

The acquisition and/or holding of public company securities creates certain risks and conflicts of interest that differ in type or degree from those involved with investments in privately held companies, including but not limited to: (i) volatility in the valuation of investments (which will be dictated based on market volatility, the public markets and the investment decisions of people and entities unaffiliated with the Firm); (ii) limitations on and risks associated with the company's or a Fund's use of 10b5-1

plans and fund trading in general; (iii) limitations on the ability of a Fund to dispose of such securities at certain times or to add to its position of such securities at certain times; (iv) the ability to dispose of interests in such investment (and the price effected for a disposition), including the fact that such dispositions will likely be effected at a different price or valuation than it would have been when such company was private; (v) increased exposure of the Firm or its personnel to material nonpublic information regarding such company (or its competitors, suppliers or others) which can in turn limit the ability of Chicago Pacific to be able to purchase (or dispose) of securities of such companies which if it had otherwise been inclined to do so, could have resulted in the applicable Fund avoiding losses or losing out on potential gains; (vi) the allocation of time and resources of the Firm and/or its personnel; (vii) service by Chicago Pacific personnel on the boards of such companies (including, if applicable, compensation of such board members and fiduciary obligations to shareholders other than the Fund and approval of board compensation from such public company to Chicago Pacific); (viii) disclosure of Fund interests in such public company including the imposition of new, more frequent and more detailed filing obligations; (ix) increased scrutiny (and “headline risk” associated with a SPAC investment); (x) increased likelihood of shareholder litigation and insider trading allegations against such company, its executives and board members (which as noted above, can include members or representatives of Chicago Pacific); and (xi) increased costs associated with any of the foregoing.

*Use of Expert Networks and Data Analytics.* In connection with the evaluation of potential investment opportunities, Chicago Pacific on occasion engages expert networks and/or makes use of data analytics, including data provided by third-party vendors. Chicago Pacific seeks to avoid inadvertently obtaining confidential information from such sources and has therefore implemented policies and procedures to mitigate the risk that the use of expert networks or data analytics could result in the receipt of confidential information by investment professionals. However, because Chicago Pacific’s business operates on an integrated platform without ethical screens or information barriers, if such controls fail and an investment professional obtains material nonpublic information, Chicago Pacific could be restricted in acquiring or disposing of certain investments on behalf of the Funds, which could impact the returns generated for such Funds.

*General Economic and Market Conditions.* The private equity and private real estate industries generally, and the success of the Funds’ investment activities specifically, will be affected by general economic and market conditions, as well as by changes in laws, currency exchange controls, and national and international political and socioeconomic circumstances. Such factors are unpredictable and cannot be controlled by Chicago Pacific. General fluctuations in the market prices of investments and economic conditions will generally reduce the availability of attractive investment opportunities for the Funds and have the potential to affect the Funds’ ability to make investments. Volatility and illiquidity in the financial sector can have an adverse effect on the ability of a Fund to sell and/or partially dispose of its investments. Such adverse effects can include the requirement of the Funds to pay break-up, termination or other fees and expenses in the event a Fund is not able to close a transaction (whether due to the lenders’ unwillingness to provide previously committed financing or

otherwise) and/or the inability of a Fund to dispose of investments at prices that Chicago Pacific believes reflect the fair value of such investments. The impact of market and other economic events can also affect the Funds' ability to obtain funding to support its investment objectives. Any of the foregoing events could result in substantial or total losses to the Funds in respect of certain portfolio investments, which losses can be exacerbated by the presence of leverage in a portfolio investment's capital structure or at the property level and could be magnified by the expected limited geographic diversity of the Funds' investments.

*Inflation.* Inflation could potentially affect a Fund's performance in a number of ways. During periods of rising inflation, interest rates of any floating-rate instruments held by a Fund or issued by its subsidiaries could increase, which would tend to reduce returns for the investors. Inflationary expectations or periods of rising inflation could also be accompanied by rising prices of commodities that are critical to the construction and/or operation of logistics facilities. The market value of a Fund's investments could potentially decline in value in times of higher inflation rates. Some of a Fund's investments could have income linked to inflation, whether by regulation or contractual arrangement or other means. However, as inflation could affect both income and expenses, any increase in income could potentially not be sufficient to cover increases in expenses.

*Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes.* There continue to be discussions regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. In particular, the SEC has increased emphasis on investment adviser and private fund regulation and has both adopted and proposed a number of new rules that impose significant changes on private fund advisers and their management of private funds. Any such changes are expected to materially impact Chicago Pacific, the Funds and/or the investments, as well as increasing their expenses. Significant time and resources are expected to be required to comply with new regulations. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on the Funds' activities, including the ability of the Funds to effectively and timely address such regulations, implement operating improvements or otherwise execute their investment strategy or achieve their investment objectives.

In perhaps the most sweeping of rulemaking changes, on August 23, 2023, the SEC adopted new rules and amendments (collectively, the "Private Fund Rule") to existing rules under the Advisers Act specifically related to advisers to private funds. In particular, the Private Fund Rule (i) requires quarterly reporting by registered private fund advisers to investors concerning performance, fees and expenses; (ii) requires registered investment advisers to obtain an annual audit for private funds; (iii) requires registered investment advisers to obtain a fairness opinion or a valuation opinion and make certain disclosures in connection with adviser-led secondary transactions; (iv) imposes limitations and new disclosure requirements regarding preferential treatment of investors in private funds in side letters or other arrangements with the adviser; and (v) prohibits advisers to private funds from taking certain actions without providing disclosures to investors and, in some cases, without obtaining investor consent. The Private Fund Rule is expected to have a significant effect on Chicago Pacific,



the Funds and their operations, including increased compliance burdens and associated regulatory costs, increased investor reporting and disclosures to investors, enhanced risk of regulatory action and additional regulatory uncertainty. Significant time and resources are expected to be required to comply with the Private Fund Rule, which potentially will detract from the time and resources dedicated to the Funds.

In addition, in recent years, the Antitrust Division of the Department of Justice and the Federal Trade Commission have been more aggressive in evaluating potential anti-competition concerns with respect to certain strategies of private equity sponsors, including “roll-up” strategies where a sponsor ultimately acquires a significant share of an industry through a series of smaller transactions. Such regulatory focus (including enforcement activity) could result in additional costs in connection with acquisitions and dispositions and other adverse impacts to a Fund’s investments.

*Deterioration of Credit Markets; Ability to Finance and Consummate Investments.* In the event that the global credit markets deteriorate and it becomes more difficult for investment funds such as the Funds to obtain favorable financing for investments, the Funds’ abilities to generate attractive investment returns can be adversely affected to the extent the Funds are unable to obtain favorable financing terms for their investments. Moreover, to the extent that such marketplace events are not temporary and continue, they can have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Such marketplace events also can restrict the abilities of the Funds to realize their investments at favorable times or for favorable prices.

*Adequacy and Availability of Insurance.* While the Funds will generally seek to make investments where insurance and other risk management products (to the extent available on commercially reasonable terms) are utilized to mitigate the potential loss resulting from catastrophic events and other risks customarily covered by insurance, it will not always be practicable or feasible. Moreover, it will not always be possible to insure against all risks, and any insurance proceeds from covered risks could prove to be inadequate to completely or even partially cover a loss of revenues, an increase in operating and maintenance expenses and/or a replacement or rehabilitation.

Certain losses of a catastrophic nature, such as those caused by wars, earthquakes, terrorist attacks or other similar events, could be either uninsurable or insurable at such high rates as to adversely impact the Funds’ profitability. Uninsured and underinsured losses at the Fund-level or investment-level could harm the Funds’ overall financial condition, operations and ability to make distributions to its investors. Certain types of losses generally are either uninsurable (or not economically insurable) or subject to insurance coverage limitations. Should an uninsured loss or a loss in excess of insured limits occur, a Fund could lose all or a portion of the capital it has invested in an investment, as well as the anticipated future revenue from the investment. These same risks apply to any capital deployed by an investment of a Fund. In that event, a Fund and/or its investment could nevertheless remain obligated for any notes payable or other financial obligations related to the investment, in addition to obligations

to the Fund's and/or its investment's ground lessors, franchisors and managers. Inflation, changes in building codes and ordinances, environmental considerations, provisions in loan documents encumbering the investments pledged as collateral for loans, and other factors could also keep a Fund and/or its investment from using insurance proceeds to replace or renovate an investment after it has been damaged or destroyed. Under those circumstances, the insurance proceeds a Fund and/or its investment receives could be inadequate to restore the Fund's and/or its investment's economic position on the damaged or destroyed investment.

*Control Person Liability.* The exercise of control over an entity generally imposes additional risks of liability for environmental damage, product defects, pension and other fringe benefits, failure to supervise management, violation of laws and governmental regulations (including securities laws) and other types of liability, for which the limited liability generally afforded to investors could in some cases be ignored. In particular, if determined to be a direct owner or operator of any of the portfolio investments' facilities or operations, the Funds could face strict, joint and several liability under environmental laws for hazardous substance or contamination-related liabilities. If any such liabilities were to arise, the Funds could suffer significant losses. While Chicago Pacific intends to manage the Funds in a manner that will minimize the exposure of these risks, the possibility of successful claims against the Funds and/or their affiliates cannot be precluded.

*Litigation.* In the ordinary course of its business, a Fund and/or Chicago Pacific could be subject to litigation from time to time. The outcome of such proceedings could materially and adversely affect the value of a Fund and could continue without resolution for long periods of time. In addition, any such claims asserted against a Fund and/or its operators, regardless of their merit or eventual outcome, could undermine a Fund's ability to attract residents to its facilities.

The transactional nature of the business of the Funds exposes the Funds, Chicago Pacific and their respective affiliates generally to the risk of third-party litigation. In the ordinary course of its businesses, the Funds are subject to litigation from time to time. Under the Governing Documents, the Funds will generally be responsible for indemnifying the General Partners and certain of their affiliates for costs they incur with respect to such litigation not covered by insurance. The outcome of litigation proceedings could materially adversely affect the value of the Funds and could continue without resolution for long periods of time. Additional regulation could also increase the risks of third-party litigation. Any litigation has the potential to consume substantial amounts of the General Partners', the managing partners' and other Chicago Pacific employees' time and attention, and that time and the devotion of these resources to litigation could, at times, be disproportionate to the amounts at stake in the litigation.

*Reliance on the General Partners.* The Funds will be dependent on the General Partners and Chicago Pacific. Investors generally have no right or power to take part in the management of the Funds, or have control over the operation of the Funds, including decisions with respect to structuring, negotiating, purchasing, financing and eventually divesting investments on behalf of the Funds.

Control over these decisions will be vested with Chicago Pacific and the General Partners. Consequently, the Funds' future profitability and investment performance will depend largely upon the business and investment acumen of the managing partners and other investment professionals of Chicago Pacific. The loss or reduction of service of one or more such persons could have an adverse effect on the Funds' abilities to realize their investment objectives. In addition, the managing partners currently, and will likely in the future, manage multiple Chicago Pacific Funds, which poses conflicts of interest in the allocation of their time. In addition, certain changes in Chicago Pacific and the General Partners or circumstances relating to Chicago Pacific and the General Partners could have an adverse effect on the Funds or one or more of their portfolio investments, including potential acceleration of debt facilities. The professionals comprising Chicago Pacific could change over time, and there can be no guarantee that the professionals included in such teams and who have contributed to the past performance of any prior Chicago Pacific Funds will continue to be members of the particular team or serve in the same or similar roles thereon (and in some cases, are no longer with Chicago Pacific, or will leave such team or Chicago Pacific during the life of the Fund) and any such changes could have an adverse effect on the Funds or one or more of their portfolio investments.

*Uncertainty of Projections.* The Funds generally use financial projections to help analyze current or future financing for portfolio investments, investor reporting or other transactions. Projected operating results of a company in which a Fund invests normally will be based primarily on financial projections prepared by such company's management, with adjustments to such projections made by Chicago Pacific in its discretion. In all cases, projections are only estimates of future results that are based upon information relating to investments and third parties and assumptions made at the time the projections are developed. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of other unforeseen events could impair the ability of a portfolio investment to realize projected values. There can be no assurance that the results set forth in the projections will be attained, and actual results can be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material impact on the reliability of projections.

*Recycling; Reinvestment.* During a Fund's investment period, Chicago Pacific generally has the right to recall certain capital returned or distributed to investors. Accordingly, during the term of a Fund, an investor can be required to make capital contributions in excess of its commitment (with certain limitations), and to the extent such recalled or retained amounts are reinvested in investments, an investor will remain subject to investment and other risks associated with such investments. Delays in realizing investments due to market or other conditions can result in the lack of available capital for recycling, including for consummation of follow-on investments, which could affect the Funds as described in "Need for Follow-on Investments" immediately below. This could occur in situations where other Chicago Pacific Funds have sufficient capital remaining.

*Need for Follow-On Investments.* Following its initial investment in an investment, a Fund and/or other equity or debt investors in properties in which a Fund invests are permitted to invest additional funds

in such investment or could have the opportunity to increase their respective investments in such investment (whether for opportunistic reasons, to fund the needs of the investment, as an equity cure under applicable debt documents or for other reasons). There is no assurance that a Fund or such other persons will make such additional investments or that a Fund or such persons will have sufficient funds to make all or any of such investments. It is possible that any decision by a Fund or such persons not to make follow-on investments or their inability to make such investments will have a substantial negative impact on a company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made). Additionally, the failure to make a follow-on investment can result in a lost opportunity for a Fund to increase its participation in a successful company or the dilution of the Fund's ownership stake if a third party instead invests in such company.

*Reserves.* As is customary in the industry, Chicago Pacific is permitted to establish reserves for investments by the Funds, operating expenses of the Funds, Fund liabilities and other matters. Estimating the appropriate amount of such reserves is difficult. Inadequate or excessive reserves could impair the investment returns to the investors. If reserves are inadequate, the Funds could be unable to take advantage of attractive investment opportunities or could not be able to pay its liabilities or expenses as they come due. If reserves for liabilities or expenses are excessive, the Funds can decline attractive investment opportunities.

*Fees and Expenses.* The Funds will pay and bear all expenses related to their operations, including Management Fees and the costs of holding, monitoring, maintaining and disposing of portfolio investments, including closing fees, investment banking fees and consulting fees, whether or not the Funds make any profits. While it is difficult to predict the future expenses of the Funds, such expenses are likely to be substantial and can surpass the Funds' operating incomes. The amount of Fund expenses will reduce the actual returns realized by investors on their investments in the Funds (and, in certain circumstances, reduce the amount of capital available to be deployed by the Funds for investments). Fund expenses include recurring and regular items, as well as extraordinary expenses for which it is difficult to budget or forecast. As a result, the amount of Fund expenses ultimately called or called at any one time can exceed expectations.

*Investments Longer than Term.* It is possible that a Fund will make investments that are not advantageously disposed of prior to the date such Fund is dissolved, either by expiration of the Fund's terms or otherwise, or the Fund's terms could be extended to facilitate the wind-down of the Fund. Although Chicago Pacific expects that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, the Firm only has a limited ability to extend the terms of the Funds, which could result in the Funds having to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. To the extent that such investments are held in trust, the trust will likely incur operating and formation expenses. In addition, there can

be no assurances with respect to the time frame in which the winding-up and the final distribution of proceeds to the investors will occur.

*Standard of Care; Indemnification.* The Governing Documents contain provisions that, subject to applicable law, reduce, modify or eliminate the duties that the General Partners would otherwise owe to the Funds and the investors. Pursuant to the Governing Documents, the General Partners, the managing partners, Chicago Pacific and certain of their employees, affiliates, representatives and agents will generally be indemnified and held harmless from losses sustained from any act or omission in connection with the Funds' activities, and are entitled to receive advances for any fees, costs and expenses incurred in the defense or settlement of any claim that is subject to a right of indemnification. As a result, investors could have a more limited right of action in certain cases than they would in the absence of such standards. In addition, the Funds could be subject to significant financial losses even where such losses were caused by the Firm and its affiliates. Such financial losses can have an adverse effect on the returns to the investors. The fees, costs and expenses (whether or not advanced) and other liabilities resulting from the Funds' indemnification obligations can be paid by or otherwise satisfied out of the assets of the Funds, including the unpaid capital obligations of the investors. In addition, if the assets of a Fund are insufficient to satisfy the Fund's indemnification obligations, the relevant General Partner is permitted to recall distributions previously made to the investors, subject to certain limitations set forth in the Governing Documents.

*Possibility of Fraud or Other Misconduct of Employees and Service Providers.* Misconduct by: (i) Chicago Pacific employees; (ii) portfolio investment directors, officers or employees; and (iii) service providers to the foregoing and/or their respective affiliates could undermine the due diligence efforts of the Funds and/or the Firm and cause significant losses to the Funds. Misconduct can 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 the Funds, the improper use or disclosure of confidential or material nonpublic information, which could result in litigation or serious financial harm, including limiting the Funds' business prospects or future marketing activities, and non-compliance with applicable laws or regulations (and the concealment of any of the foregoing). Such activities could result in reputational damage, litigation, business disruption, market or industry segment volatility and/or financial losses to the Funds. Chicago Pacific has controls and procedures through which it seeks to minimize the risk of such misconduct occurring; however, no assurances can be given that such misconduct will be able to be identified or prevented.

*Cybersecurity Breaches and Identity Theft.* Cybersecurity incidents, cyber-attacks, denial of service attacks and social engineering attempts (including business email compromise attacks), both generally and within the financial services industry, have been occurring globally at a more frequent and secure level and will likely continue to increase in frequency in the future. The Funds and their portfolio investments' information and technology systems are subject to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power

outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although Chicago Pacific has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the Firm, the Funds and/or portfolio investments would likely require time and expense to fix or replace them and to seek to remedy the effects of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Firm's, the Funds' and/or portfolio investments' operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors) and patient health information held by a portfolio investment. Data taken in such breaches can be used by criminals in identity theft, to commit insider trading, in obtaining loans or payments under false identities and other crimes that could affect the investors directly as well as affect the value of assets in which a Fund invests. Such a breach or failure could harm Chicago Pacific, the Funds' and/or portfolio investments' reputation, subject any such entity and its respective affiliates to legal claims or otherwise affect their business and financial performance. To the extent that a portfolio investment is subject to cyber-attack or other unauthorized access is gained to a portfolio investment's systems, such portfolio investment can be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or portfolio investment financial information; (iii) portfolio investment software, contact lists or other databases; (iv) portfolio investment proprietary information or trade secrets; or (v) other items. In certain events, a portfolio investment's failure or deemed failure to address and mitigate cybersecurity risks can be the subject of civil litigation or regulatory or other action. Any of such circumstances could subject a portfolio investment or a Fund to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at Chicago Pacific or one of its affiliates or service providers holding its financial or investor data, Chicago Pacific, its affiliates or the Funds can also be at risk of loss.

### **Risks Specific to the Equity Funds**

*Growth-Equity Transactions.* The Funds' strategies include targeting growth-equity investments. While growth-equity investments offer the opportunity for significant capital gains, such investments can involve a higher degree of business and financial risk that can result in substantial or total loss. Growth-equity portfolio companies can operate at a loss or with substantial variations in operating results from period to period, and many will need substantial additional capital to support additional research and development activities or expansion, to achieve or maintain a competitive position, and/or to expand or develop management resources.

*Focus on Early-Stage and Start-Up Investments.* It is anticipated that the Funds will make investments in start-up and early-stage companies that have inherently greater risk than more established businesses. Accordingly, the growth of these companies can require significant time and effort resulting in a longer investment horizon than can be expected with lower risk investment alternatives. Such investments

can experience failure or substantial declines in value at any stage. There is no assurance that such investments by the Funds will be successful.

*Special Risks Associated with Healthcare Technology Investments.* Investing in securities and other instruments of companies that offer health-related technology or technology-enabled products or services involves substantial risks. Lawsuits involving disputes over intellectual property or related claims, regardless of the merits of the claims, are often time-consuming, costly to defend and can result in significant damage awards or expensive settlements. Such lawsuits can cause significant diversion of management attention and, if successful, can limit the ability of such companies to develop or market the technologies that form the core of their business.

*Healthcare Regulation.* Certain industry segments in which the Funds invest, including various sectors of the healthcare industry are (or can increasingly become) (i) highly regulated at both the federal and state levels in the U.S. and internationally and (ii) subject to frequent regulatory change. Compliance with these regulations can be costly. While the Funds intend to invest in companies that seek to comply with applicable laws and regulations, the laws and regulations relating to the healthcare sector are complex, can be ambiguous or can lack clear judicial or regulatory interpretive guidance. An adverse review or determination by any applicable judicial or regulatory authority of any such law or regulation, or an adverse change in applicable regulatory requirements or reimbursement programs, could have a material adverse effect on the operations and/or financial performance of the companies in which the Funds invest. By way of example, the healthcare industry has been, and will likely continue to be, significantly impacted by recent legislative changes, and various U.S. federal, state or local or non-U.S. legislative proposals related to such industries are introduced from time to time, which, if adopted, could have a significant impact on such industries in general and/or on companies in which the Funds could invest. Even where healthcare companies develop and implement comprehensive compliance programs, there is no guarantee that they, their employees, consultants or contractors will be afforded protection from economic exposure to such laws and regulations.

Furthermore, governments have considerable discretion in implementing regulations that could impact a portfolio company's business, and as local governments can be influenced by political considerations, they can make decisions that adversely affect a portfolio company's business. Moreover, additional regulatory approvals, including renewals, extensions, transfers, assignments, reissuances or similar actions, can become applicable in the future due to a change in laws and regulations, a change in a portfolio company's lessee or for other reasons. If a portfolio company fails to comply with these requirements, it could also be subject to civil or criminal liability and the imposition of fines. In addition, the Funds can require the consent or approval of applicable regulatory authorities in order to acquire or hold particular portfolio companies. If the Funds or any of their portfolio companies are unable to obtain required consent or approval, a Fund or such portfolio company can be unable to enter into transactions or to structure transactions in ways that are optimal for the Funds.

The Funds intend to invest in portfolio companies they believe have obtained all necessary regulatory approvals. There can be no assurance that a portfolio company will be able to (a) obtain all required regulatory approvals that it does not yet have or that it can require in the future, (b) obtain any necessary modifications to existing regulatory approvals or (c) maintain required regulatory approvals. Delay in obtaining or failure to obtain and maintain in full force and effect any regulatory approvals, or amendments thereto, or delay in satisfying or failure to satisfy any regulatory conditions or other applicable requirements could prevent operation of a facility or leases to third parties or could result in additional costs to a portfolio company.

*Adverse Trends in Healthcare Provider Operations.* The healthcare industry is currently experiencing the following trends: changes in the demand for and methods of delivering healthcare items and services; changes in third-party reimbursement policies; significant unused capacity in certain areas, which has created substantial competition for patients among healthcare providers in those areas; increased expense for uninsured patients; increased competition among healthcare providers; increased insurance expenses; increased healthcare provider liability expenses; continued pressure by private and governmental payors to reduce payments to providers of services; increased scrutiny of billing, referral and other practices by federal and state authorities; increased scrutiny of surprise billing and related issues associated with transparency; changes in federal and state healthcare program payment models; increased risk of exposure to certain communicable diseases for healthcare providers, clinical staff and frontline workers; challenges in ability to recruit and retain healthcare providers, clinical staff and frontline workers, due to heightened risk of exposure to certain communicable diseases; increased emphasis on compliance with privacy and security requirements related to protected health information; and supply chain interruptions due to certain communicable diseases and related uncertainty with respect to national stockpiles of medical necessities and access to such supplies, including shortages, delays and significant price increases of equipment, supplies and personal protective equipment.

*Technological Change; Competition.* The Funds' portfolio companies are likely to face competition from other companies or products based on product efficacy and/or safety profiles, the timing and scope of regulatory approvals, availability of supply, marketing and sales capability, reimbursement coverage, price and patent position. Others can develop technologies, which are, or in the future can be, the basis for products that will directly compete with or reduce the commercial market opportunity for the Funds' portfolio companies. For example, competition from larger and better-capitalized pharmaceutical companies and more established biotechnology companies can be intense and can increase over time. Smaller companies can also prove to be significant competitors, particularly through collaborative arrangements with larger pharmaceutical and established biotechnology companies. Academic institutions, governmental agencies and other public and private research organizations also conduct research, seek patent protection and establish collaborative arrangements for clinical development and marketing, which can result in such competing products. These factors can materially adversely affect interests held by the Funds.



*Real Estate.* Certain companies in which the Funds invest in are expected to have significant real estate assets, such as healthcare facilities and medical office buildings. As a result, the valuation of such companies can be affected by overall changes in real estate valuations.

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

*Reliance on Portfolio Company Management.* The success of many of the Funds' portfolio companies is heavily dependent on the management of such companies. Each portfolio company's day-to-day operations will be the responsibility of such company's management team. Additionally, Chicago Pacific will generally establish the capital structure of portfolio companies in which the Funds invest on the basis of financial projections for such companies, which will contain significant judgment and input from the portfolio company management team. Although Chicago Pacific is responsible for monitoring the performance of each portfolio company and the Funds generally intend to invest in portfolio companies with strong management or recruit strong management to such companies, there can be no assurance that a portfolio company's existing management team, or any successor, will be able to successfully operate a company in accordance with the Funds' objectives. Portfolio companies also need to attract, retain and develop executives and members of their management teams. The market for executive talent can be extremely competitive. Further, the business and operations of software and technology companies in which the Funds invest often experience rapid organizational change that can strain the performance of the portfolio companies' management teams. There can be no assurance that the management team of a portfolio company on the date a portfolio company is made will remain the same or continue to be affiliated with the company throughout the period the portfolio company is held by the Funds.

*Risks Relating to Due Diligence of and Conduct at Portfolio Companies; Expedited Transactions.* Before making investments, Chicago Pacific will conduct such due diligence as it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence entails evaluation of important and complex business, financial, tax, accounting, technical, environmental and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties are typically involved in the due diligence process to varying degrees depending on the type of investment and the facts and circumstances related thereto and the Firm will typically rely on the advice received from such third parties. Investment analyses and decisions by Chicago Pacific will often be undertaken on an expedited basis in order for the Funds to take advantage of investment opportunities. In such cases, the information available to the Firm at the time of an investment decision can be limited, and

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

*Director Liability.* The Funds typically seek to obtain the right to appoint one or more representatives to the board of directors (or similar governing body) of the portfolio companies in which they invest (each, a “Board Representative”). In those instances where the Funds are not the sole shareholders of the applicable portfolio company, a Board Representative will have duties to persons other than the Funds. Serving on the board of directors (or similar governing body) of a portfolio company exposes the Board Representative, and ultimately the Funds, to potential liability. Not all portfolio companies will obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain can be insufficient to adequately protect against such liability. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from the Funds’ investment activities.

*Lack of Unilateral Control.* The Funds will at times hold meaningful minority stakes in privately held companies and in some cases have limited minority protection rights. In addition, during the process of exiting investments, the Funds at times will hold minority equity stakes of any size such as might occur if portfolio companies are taken public. As is the case with minority holdings in general, such minority stakes will generally not have either the control characteristics of majority stakes or the valuation premiums accorded majority or controlling stakes. Where a Fund holds a minority stake, it would likely be more difficult for such Fund to liquidate its interests than it would be had the Fund owned a controlling interest in such company. When taking non-control positions, the Funds generally will seek to obtain negative controls and veto rights on major decisions, but there can be no assurance that a Fund will be able to control the timing or occurrence of an exit strategy for such portfolio companies in a manner that maximizes or protects value. Even if the Funds have contractual rights to seek liquidity of the Funds’ minority interests in such companies, it would likely be very difficult to sell such interests or seek a sale of such company upon terms acceptable to the Funds, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals.

*Contingent Liabilities Upon Disposition.* In connection with the disposition of an investment, a Fund and its General Partner are typically be required to make (and/or be responsible for another person’s or entity’s breach of) representations and warranties, *e.g.*, about the business and financial affairs of the applicable portfolio company, the condition of its assets and the extent of its liabilities, in each case generally in the nature of representations and warranties typically made in connection with the sale of similar businesses, and are responsible for the content of disclosure documents under applicable securities laws. Chicago Pacific, the General Partners and/or the Funds are also likely to be required to indemnify the purchasers of such investment or underwriters to the extent that any such

representations or disclosure documents are inaccurate. These arrangements could result in contingent liabilities, which would be borne by the Funds and, ultimately, their investors. In such a situation, it is possible investors will be required to return distributions received by them to pay such indemnification obligations, subject to certain limitations provided in the Governing Documents.

### **Risks Specific to the Real Estate Funds**

*General Real Estate Risks.* The Funds' investments will be subject to the risks incidental to the ownership and operation of real estate and real estate-related businesses and assets, including changes in the general economic climate, local, national or international conditions (such as an oversupply of space or a reduction in demand for space), the quality and philosophy of management, competition based on rental rates, attractiveness and location of the properties and changes in the relative popularity of property types and locations, changes in the financial condition of tenants, buyers and sellers of properties, changes in operating costs and expenses, uninsured losses or delays from casualties or condemnation, changes in applicable laws, government regulations (including those governing usage, improvement and zoning) and fiscal policies, the availability of financing, interest rate levels, environmental liabilities, contingent liabilities, successor liability for investments in existing entities (e.g., buying out a distressed partner or acquiring an interest in an entity that owns a real property), acts of God, acts of war (declared or undeclared), terrorist acts, disease outbreaks, epidemics, pandemics, work stoppages, shortages of labor, strikes, union relations and contracts, fluctuating prices and supply of labor and/or other labor-related factors and other factors beyond the control of Chicago Pacific, a Fund and their respective affiliates.

*Ongoing Need for Capital Expenditures.* The Funds' properties are expected to have some ongoing need for renovations and other capital improvements. In addition, the Funds are permitted to acquire older properties that could potentially require extensive renovations and other capital improvements. In the event that renovations and other capital expenditures are not made, a Fund's properties could become unattractive to tenants, resulting in lower revenues generated at such properties. The tenants of a Fund's properties will also require periodic capital improvements to be made to such properties. In addition, a Fund's lenders could require that the Fund set aside annual amounts for capital improvements to its properties. Furthermore, refinancings and acquisitions or redevelopment of additional properties will require significant capital expenditures. If a Fund is unable to obtain the capital necessary to make required periodic capital expenditures and renovate its properties on favorable terms, or at all, a Fund's business, financial condition, operations, cash flows and ability to make distributions to the investors could be materially and adversely affected.

*Services.* In certain circumstances, Chicago Pacific and/or its affiliates are authorized to provide any or all of the services (including, accounting, legal, administration and other services for a Fund and property management services with respect to a Fund's investments) that the Firm determines would otherwise be performed for the Fund or its investments by third parties on terms that are determined by Chicago Pacific to be fair and reasonable to the Fund. In such events, such persons will earn fees

or otherwise be reimbursed for performing such services, provided that such fees or reimbursements will not exceed the rate that would be payable by a Fund if such services were provided by third parties in the business of providing comparable services as further described in the Governing Documents. Nevertheless, Chicago Pacific will have a conflict of interest in determining the costs of such services that will be charged to a Fund. In addition, such use or retention creates an incentive for Chicago Pacific to favor its affiliates over more qualified service providers.

*Impact of Government Regulations.* Government authorities at all levels are actively involved in the regulation of land use and zoning, environmental protection and safety and other matters affecting the ownership, use and operation of real property. Regulations could be promulgated that could restrict or curtail certain usages of existing structures or require that such structures be renovated or altered in some manner. The promulgation and enforcement of such regulations could increase expenses, and lower the income or rate of return, as well as adversely affect the value of any of a Fund's investments. Operators are also subject to laws governing their relationship with employees, including minimum wage requirements, overtime, working conditions and work permit requirements. Compliance with, or changes in, these laws could reduce the revenue and profitability of a Fund. Changes in U.S. federal, state and local or foreign tax law, interpretations of existing tax law or adverse determinations by tax authorities, could increase a Fund's tax burden or otherwise adversely affect a Fund's financial condition or operations. Changes to accounting rules or regulations could adversely affect a Fund's financial condition.

*Climate Change-Related Risks.* The Funds are expected to be exposed to potential physical risks from possible future changes in climate. A Fund's properties could be exposed to rare catastrophic weather events, such as severe storms or floods. If the frequency of extreme weather events increases due to climate change, a Fund's exposure to these events could increase. In addition, a Fund could be adversely impacted by regulatory changes related to climate change as a result of potential impacts of such changes on the supply chain or stricter energy efficiency standards for buildings. There can be no assurance that any existing or future regulatory changes will not materially and adversely impact a Fund's business in the future.

*Development and Construction or Renovation Risks.* The Funds are permitted to acquire direct or indirect interests in undeveloped land or underdeveloped real property (which could be non-income producing), real estate developments or redevelopments and/or businesses that engage in real estate development or redevelopment. To the extent that a Fund invests in such assets or activities, it will be subject to the risks normally associated with such assets and development activities, including the possibility of development cost overruns and delays due to various factors (including inclement weather, labor or material shortages, the unavailability of construction and permanent financing and timely receipt of zoning and other regulatory approvals), the availability of both construction and permanent financing on favorable terms and market or site deterioration after acquisition. Any unanticipated delays or expenses could have an adverse effect on the operations and financial

condition of a Fund. Properties under development or properties acquired for development are likely to receive little or no cash flow from the date of acquisition through the date of completion of development and would likely continue to experience operating deficits after the date of completion. In addition, market conditions could change during the course of development that make such development less attractive than at the time it was commenced. Also, recently developed properties could take longer than expected to achieve stabilized operating levels, if at all. To the extent such facilities fail to reach stabilized operating levels or achieve stabilization later than expected, it could materially and adversely affect a Fund's tenants' abilities to make payments to the Fund under their leases and thus adversely affect the Fund's financial performance and operations.

*Casualty and Condemnation.* Investments in real estate are subject to the risks of partial or total condemnation in accordance with applicable law or regulation and casualty, whether arising from destruction by fire, earthquake, flood, hurricane or otherwise. In either case, a Fund's investments (depending on such investments' status as lender, borrower or equity owner) could be subject to one or more of the following liabilities: (i) lenders could require prepayments of outstanding loans with any proceeds arising from a casualty or condemnation recovery event (i.e., insurance coverage); (ii) insurance coverage could potentially not be sufficient to cover renewal of an investment; (iii) renovations or developments with respect to an investment could be delayed; and (iv) a seller could bear the risk of loss for such casualty or condemnation in connection with the disposition of an investment through the date of disposition.

*Investments in Real Estate Debt.* The Funds are permitted to hold direct or indirect investments in certain real estate-related debt instruments. In addition to the risks of borrower default (including loss of principal and nonpayment of interest) and the risks associated with real estate investments generally, real-estate related debt investments are subject to a variety of risks, including the risks of illiquidity, lack of control, mismanagement or decline in value of collateral, contested foreclosures, bankruptcy of the debtor, claims for lender liability, violations of usury laws and the imposition of common law or statutory restrictions on the exercise of contractual remedies for defaults of such investments. Debt investments have special inherent risks relative to collateral value. It could be necessary or desirable to foreclose on collateral securing one or more real estate loans purchased by a Fund, and the foreclosure process can be lengthy and expensive.

*Potential Environmental Liabilities.* Under various federal, state and local laws, ordinances and regulations, as a current or former owner or operator of real property, the Funds are potentially liable for costs and damages resulting from the presence or discharge of hazardous or toxic substances on, in, under or migrating from such property, including costs to investigate and clean up such contamination and liability for harm to natural resources. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such contamination, and the liability could be joint and several. These liabilities could be substantial and the cost of any required remediation, removal, fines or other costs could exceed the value of the

property and a Fund's aggregate assets. In addition, the presence of contamination or the failure to remediate contamination at a Fund's properties could expose the Fund to third-party liability for costs of remediation and personal or property damage, materially and adversely affect Chicago Pacific's ability to operate, sell, lease or develop the properties or to borrow using such property as collateral, which could have an adverse effect on a Fund's return from such investment. Even in cases where a Fund is indemnified by the seller with respect to an investment against liabilities arising out of violations of environmental laws and regulations, there can be no assurance as to the financial viability of the seller to satisfy such indemnities or the ability of a Fund to achieve enforcement of such indemnities.

In addition, environmental laws could create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. Moreover, if contamination is discovered on a Fund's property, environmental laws could impose restrictions on the manner in which such property is permitted to be used or businesses are permitted to be operated on such property, and these restrictions could require substantial expenditures. The Funds are permitted to acquire interests in property with known adverse environmental conditions where they believe that the acquisition will yield acceptable risk-adjusted returns. In these cases, a Fund is permitted to underwrite the costs of environmental investigation, clean-up and monitoring and obtain appropriate environmental insurance, if appropriate.

The ongoing presence of environmental contamination, pollutants or other hazardous materials on a property (whether known at the time of acquisition or not) could also result in personal injury (and associated liability) to persons on the property and persons removing such materials, future or continuing property damage (which could adversely affect property value) or claims by third parties, including as a result of exposure to such materials through the spread of contaminants.

In addition, a Fund's operating costs and performance could be adversely affected by compliance obligations under environmental protection statutes, rules and regulations relating to investments of a Fund, including additional compliance obligations arising from any change to such statutes, rules and regulations. Statutes, rules and regulations could also restrict development and use of property.

*Harmful Mold and Other Air Quality Issues.* Some of a Fund's properties could potentially contain or develop harmful mold or suffer from other air quality issues, which could lead to liability for adverse health effects and costs of remediation. When excessive moisture accumulates in buildings or on building materials, mold could grow, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of a Fund's properties could require the Fund

to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose the Fund to liability from its tenants, employees of its tenants and others if property damage or health concerns arise.

*Americans with Disabilities Act and Similar Laws.* Under the Americans with Disabilities Act of 1990 (the “ADA”), commercial facilities and public accommodations must meet federal requirements related to access and use by disabled persons. If one or more of the properties in a Fund’s portfolio does not comply with the ADA, then the Fund would likely be required to incur costs to bring the property into compliance, which potentially were not foreseen at the time of acquisition. Future changes to federal, state and local laws also could require modifications to a Fund’s properties or restrict a Fund’s ability to renovate its properties. The Funds cannot predict the ultimate cost of compliance with the ADA or other legislation. If a Fund incurs substantial costs to comply with the ADA and any other similar legislation, the Fund’s financial condition, operations, cash flow, cash available for distribution and ability to satisfy its debt service obligations could be adversely affected.

*Risks Associated with the Senior Living Industry.* The Real Estate Funds’ investment strategy is to invest in equity and debt interests in senior housing (independent living, assisted living and memory care) and medical office real estate, real estate-related assets and real estate operating companies in the United States through a value-added and opportunistic investment and management strategy. Such investments in the senior living industry also involve a significant degree of business and financial risk and can result in substantial losses.

The Funds will compete with other senior housing properties for residents. Some significant competitive factors that influence residents in choosing a senior housing property include the geographic location, physical appearance, amenities, level of services, quality of care and reputation of the facility, as well as the financial considerations and personal preferences of the resident.

Some states regulate the supply of some types of senior housing facilities through certificate of need laws. A certificate of need typically is a written statement issued by a state regulatory agency evidencing a community’s need for a new, converted, expanded or otherwise significantly modified senior housing facility or service which is regulated pursuant to the state’s statutes. These restrictions could create barriers to entry or expansion and could limit the availability of properties for the Funds’ acquisition or development. In addition, the Funds are permitted to invest in properties which cannot be replaced if they become obsolete unless such replacement is approved or exempt under a certificate of need law.

The performance of the Funds’ senior living facilities will depend in part upon their ability to attract residents with the ability to pay for the services that they receive. Inflation, decreases in the market values of residents’ retirement savings or homes and other circumstances that adversely affect the

ability of residents to continue to pay for the services they receive could have a material adverse effect on the Funds' operations.

It is expected that a significant portion of the residents in the Funds' investments, particularly in its assisted living and memory care facilities, will rent on a month-to-month basis. In addition, many states require that an assisted living facility's agreements with its residents allow the residents to terminate such agreements for any reason on reasonable notice. Thus, there can be no assurance that the residents of the Funds' facilities will stay for a long period of time. If a large number of the residents of the Funds' facilities were to elect to terminate their resident agreements or otherwise cease to continue renting at or around the same time, then the Funds' profitability could be adversely affected.

Although it is anticipated that most of the Funds' revenues will come from private payors, it is possible, especially with respect to investments that have been newly acquired and have not yet turned over their existing resident populations, that a portion of the Funds' revenues will be derived from reimbursements by third-party governmental payors, including state Medicaid programs. There are continuing efforts by governmental payors and by non-governmental payors, such as commercial insurance companies and health maintenance organizations, to contain or reduce the costs of healthcare by lowering reimbursement rates, increasing care management review of services and negotiating reduced contract pricing. In addition, there have been proposals to reduce the federal and some state deficits by limiting Medicaid reimbursement in general. These efforts or the adoption of any of these proposals could adversely affect the Funds' operations.

The market for healthcare professionals and other key personnel is highly competitive, and the Funds' facilities could experience difficulties in attracting and retaining qualified personnel. Increases in labor costs incurred by the Funds' facilities, due to higher wages and greater benefits required to attract and retain qualified personnel, could affect their operations.

The operation of assisted living and memory care facilities and the provision of healthcare services are subject to state, local and other regulations that regulate, among other things, the number of licensed residences and units per residence, the provision of services, equipment, staffing (including professional licensing and criminal background checks), operating policies and procedures, fire prevention measures, environmental matters, resident characteristics, physical design and compliance with building and safety codes, confidentiality of medical information, safe working conditions, family leave and disposal of medical waste. Assisted living operators and facilities are periodically audited by state and local authorities to confirm compliance with such regulatory and licensing requirements. The Funds could be required to make substantial capital expenditures for their facilities and operators to comply with these requirements or changes thereto, and these expenditures could adversely affect the Funds' operations. In addition, failure to obtain licensure or loss of licensure would prevent a facility from operating.



The acquisition of existing facilities presents a number of risks. Existing facilities available for acquisition could frequently serve or target different market segments than those that the Funds will seek to serve. It could be necessary in these cases to reposition and renovate acquired facilities or turn over the existing resident population in order to achieve a resident care level and income profile that is consistent with the Funds' objectives. These obstacles could delay the achievement of acceptable occupancy levels and increase the Funds' operating and capital expenditures. The Funds could potentially not succeed in repositioning acquired facilities or in effecting any necessary operational or structural changes and improvements on a timely basis. In addition, the Funds could face unforeseen liabilities attributable to the prior operator of such facilities, against whom the Funds could have little or no recourse.

Senior housing properties are often not readily adaptable to other uses. It is possible that some of the properties in which the Funds invest could be special purpose properties that could not be readily converted into general residential, retail or office use or could otherwise involve limitations on such conversion, such as the inclusion of minimum age requirements in deed restrictions. Transfers of operations of assisted living and memory care facilities often are subject to regulatory approvals not required for transfers of other types of commercial operations and other types of real estate. Therefore, if the operation of any of the Funds' properties becomes unprofitable due to competition, age of improvements or other factors, the liquidation value of such property could be substantially less than would be the case if the property were readily adaptable to other uses. In addition, the receipt by the Funds of liquidation proceeds could be delayed by the approval process of any state or local agency necessary for the transfer of the property. If any of these events occur, the Funds' operations could be impacted.

*Increased Competition and Overbuilding.* The senior living industry is highly competitive and could become more competitive in the future. The Funds will compete with numerous other organizations that provide similar senior living alternatives, such as home healthcare agencies, therapy services, life care at home, community-based service programs, retirement communities, convalescent centers and other independent living, memory care, assisted living and skilled nursing providers, including not-for-profit entities. In general, regulatory and other barriers to competitive entry in the senior living industry are not substantial. The Funds expect to experience competition in their efforts to acquire, develop and operate senior living facilities or similar properties in the same markets and, subject to the exclusivity obligations of Chicago Pacific under the Governing Documents, the Funds could be in competition with other properties owned or managed by Chicago Pacific or their respective affiliates. Owners, developers and/or operators that compete with the Funds have, or could obtain, greater financial resources than the Funds and could have a lower cost of capital. Consequently, the Funds could encounter competition that could limit the Funds' ability to attract and retain tenants and residents or expand its business, which could have a material adverse effect on its profitability. In addition, overbuilding in the senior living industry could reduce occupancy and/or rental rates

that the Funds' investments could charge or could impact the ability of the Funds to dispose of investments in accordance with their plan.

*Decreased Demand.* The inability of seniors to sell real estate could delay their moving into the Funds' properties, which could adversely impact the Funds' occupancy, cash flows and profits. Downturns in the housing markets, such as the one experienced during the global financial crises, could adversely affect the ability (or perceived ability) of seniors to afford entrance fees and rent as customers frequently use the proceeds from the sale of their homes to cover the cost of senior living facilities. Specifically, if seniors have a difficult time selling their homes, these difficulties could impact their ability to relocate into senior living facilities or finance their stays with private resources.

*Healthcare Litigation.* In addition to the litigation risks mentioned above, the senior living and healthcare services businesses entail an inherent risk of liability, particularly given the demographics of its residents, including age and health, and the services that are provided. In particular, there have been a number of lawsuits against participants in the long-term care industry alleging negligence or related legal theories. There has also been, and could continue to be, an increase in governmental investigations of long-term care providers, as well as an increase in enforcement actions resulting from these investigations. As such, in the ordinary course of its business, the Funds and/or their facilities could be subject to litigation from time to time. The outcome of such proceedings could have an adverse effect upon the Funds and/or their operators and could continue without resolution for long periods of time. There is the potential that the Funds could face the threat of significant jury verdicts in jurisdictions that do not find favor with senior living or healthcare providers. Any litigation could result in the incurrence by the Funds of significant defense costs and consume substantial amounts of the time and attention of Chicago Pacific and the principals, and such time and devotion of resources to litigation could, at times, be disproportionate to the amounts at stake in the litigation. In addition, any such claims asserted against the Funds and/or its operators, regardless of their merit or eventual outcome, could undermine the Funds' ability to attract residents to its facilities.

*Third Party Co-Investment; Reliance on Third-Party Joint Venture Partners and Managers.* The Funds expect to co-invest through partnerships, joint ventures or other entities with one or more third parties as a co-venturer or partner, including with the seller (or an affiliate thereof) of the property, a person involved in the selling, acquisition or development of the property, an investor in a Fund (or other vehicle, fund or account controlled by Chicago Pacific) or other third parties. For example, one of a Fund's third-party medical office building property managers has the option to invest up to 10% of the equity in each investment at their discretion. Such investments potentially involve risks not present in investments where a third party is not involved, including the possibility that: (i) the Funds and such co-venturer could reach an impasse on a major decision that requires the approval of both parties; (ii) a co-venturer or partner of the Funds could at any time have economic or business interests or goals that are inconsistent with those of the Funds; (iii) the co-venturer or partner could

default on its obligations, encounter liquidity or insolvency issues or could become bankrupt; (iv) the co-venturer or partner could be in a position to take action contrary to the Funds' investment objective; (v) the co-venturer or partner could take actions that subject the property to liabilities in excess of, or other than, those contemplated; (vi) the co-venturer or partner could have rights with respect to the disposition of certain investments or the liquidation of their interest therein; or (vii) in certain circumstances, the Funds could be liable for actions of their co-venturers or partners. The co-venturer or partner could from time to time be a joint venture partner or interest holder in another joint venture or other vehicle in which Chicago Pacific or its affiliates has an interest or otherwise controls. The co-venturer or partner could also be entitled to receive payments from, or allocations or performance-based compensation (*e.g.*, Carried Interest) in respect of, a Fund as well as such investments, and in such circumstances, any such amounts could be treated as a Fund expense and will not, even if they have the effect of reducing any retainers or minimum amounts otherwise payable by Chicago Pacific, be deemed paid to or received by Chicago Pacific or reduce the Management Fee. Moreover, Chicago Pacific could receive fees associated with capital invested by a co-venturer or partner relating to investments in which a Fund participates. This could be in connection with a joint venture in which a Fund participates or other similar arrangements with respect to assets or other interests retained by a seller or other commercial counterparty with respect to which Chicago Pacific or an affiliate performs services. In addition, a Fund is permitted to co-invest with non-affiliated co-investors or partners whose ability to influence the affairs of the companies or investments in which a Fund invests could be significant and even greater than that of the Fund, and as such, a Fund could be required to rely upon the abilities and management expertise of such co-venturer or partner. It could also potentially be more difficult for a Fund to sell its interest in any joint venture, partnership or entity with other owners than to sell its interest in other types of investments (and any such investment could be subject to a buy-sell right, right of first refusal, right of first offer or other similar right). The Funds are permitted to grant co-venturers or partners approval rights with respect to major decisions concerning the management and disposition of the investment, which would increase the risk of deadlocks or unanticipated exits from an investment. A deadlock could delay the execution of the business plan for the investment, require the Funds to engage in a buy-sell of the venture with the co-venturer or partner, conduct the forced sale or other liquidation of such investment or require alternative dispute resolution in order to resolve such deadlock. Additionally, in certain scenarios, the Funds are permitted to grant co-venturers or development partners the right to put (*i.e.*, sell) their interests in an investment to a Fund, or call (*i.e.*, buy) a Fund's interests in an investment. As a result of these risks, a Fund could be unable to fully realize its expected return on any such investment. Further, to the extent that a Fund offers any co-investment opportunity to any investors or third parties, some or all of the risks described above will likely also apply to such co-investments.

Further, a Fund is permitted to rely on third parties (some of which could also become co-venturers with the Fund) to act as developers or joint venture partners in connection with the acquisition, development, construction, renovation, management or operation of its properties. This reliance on

third-party developers or joint venture partners will increase the costs to a Fund through the payment of development fees, incentive fees, management fees and other amounts and would likely increase the risks to the Fund if, and to the extent, such a developer or operator fails or is unable to comply with agreed-upon plans, budgets or timetables. Although Chicago Pacific intends to monitor the performance of each investment, with respect to certain of a Fund's properties, it will primarily be the responsibility of third-party property managers to manage such properties on a day-to-day basis. The Funds' operations, including their ability to make payments on any indebtedness, will depend on the ability of these third-party managers to operate and lease such properties on economically favorable terms. There can be no assurance that such third-party management firms will be able to operate any investment successfully. Moreover, the risks of dependence on third-party management firms are different by property type and by investment stage (for example, properties in development or redevelopment will have a greater dependence on the leasing abilities of a third-party manager or leasing agent). Property managers could provide management and leasing services to properties owned by others that compete with one or more investments. As a result, these property managers could at times face conflicts of interests in the management and leasing of investments and properties owned by third parties. Property managers could receive a base management fee based upon gross revenues. Such fee arrangements with a property manager could create an incentive for the relevant investment to be managed in a manner that is not consistent with a Fund's objectives.

### **Conflicts of Interest**

If any matter arises that Chicago Pacific determines constitutes an actual or potential conflict of interest, the Firm will take such actions as, in its good faith judgment, it deems necessary or appropriate to ameliorate such conflict. The following summary is not intended to be an exhaustive list of all conflicts or their potential consequences and the Governing Documents for each Fund provide a description of what Chicago Pacific believes to be the most significant conflicts of interest associated with an investment in such Fund. Identifying potential conflicts of interest is complex and fact intensive and it is not possible to foresee every conflict of interest that will arise during a Fund's life. Investors should be aware that Chicago Pacific, its personnel and affiliates are likely to in the future engage in further activities that will potentially result in additional conflicts of interest not addressed below. In particular, Chicago Pacific expects in the future to identify additional conflicts of interest that currently are not apparent to the Firm or to the broader alternative investments industry, as well as conflicts of interest that arise or increase in materiality as the Firm develops new investment platforms or business lines and otherwise adapts to dynamic markets and an evolving regulatory environment. There can be no assurance that Chicago Pacific will identify or resolve all conflicts of interest and, if resolved, that such conflicts will be resolved in a manner that is favorable to the Funds. To the extent that Chicago Pacific identifies conflicts of interest in the future, the Firm may, but is under no obligation to, disclose these conflicts and their implications to investors through a variety of channels, including in subsequent Brochures or in other written or oral communications to the advisory boards or to investors more generally. However, investors are not entitled to receive notice

or disclosure of the actual occurrence of conflicts nor do investors have any right to consent to conflicts as they arise except as otherwise required by law or in the Governing Documents. Investors should carefully consider the conflicts of interest herein as well as those outlined in the Governing Documents prior to investing in a Fund.

*Other Chicago Pacific Funds and Products; Allocation of Investment Opportunities.* It is expected that Chicago Pacific will in the future sponsor and manage a variety of investment funds with objectives, strategies, scope and investment criteria that are similar to or differ from the current Funds. Additionally, Chicago Pacific is permitted, in its discretion, to allocate a portion of any investment opportunity to co-investors. To the extent any of the General Partners, Chicago Pacific or its affiliates is able to commence the operation of a new pooled investment fund pursuant to the terms of the Governing Documents, such newly formed Chicago Pacific funds and/or their respective portfolio investments could compete with the existing Funds and/or their portfolio investments.

Until such time as the General Partners are permitted to raise successor investment funds to the current Funds, the managing partners generally will pursue substantially all appropriate investment opportunities that meet the investment criteria of the current Funds principally for the benefit of such Funds, subject to certain exceptions set forth in the Governing Documents. Future funds organized by Chicago Pacific and its affiliates are permitted to invest side-by-side with the Funds. In determining which Funds should participate in investment opportunities, Chicago Pacific, the managing partners and the General Partners are subject to potential conflicts of interest among investors in different Funds. Chicago Pacific will determine the allocation of investment opportunities among its Funds in such manner as, in its sole discretion, it determines in good faith to be fair and equitable, consistent with the Governing Documents. Chicago Pacific will also consider certain factors when assessing whether an investment opportunity is appropriate for a Fund, including, but not limited to, the amount of available capital commitments of the applicable Funds, anticipated future capital requirements of an investment opportunity, expected time to obtain liquidity, life-cycle, limitations in the Governing Documents, investment guidelines, diversification guidelines, investment strategies and objectives, legal, tax and regulatory considerations, and any other factors deemed relevant by Chicago Pacific.

The allocation of investment opportunities among the Funds will not always be proportional. Therefore, such allocations can be more advantageous to certain Funds relative to other Funds. There can be no assurance that the actual allocation of an investment opportunity, if any, or terms on which an allocation is made, will be as favorable as it would be if the potential conflicts of interest did not exist. Additionally, if a follow-on investment is to be made in a portfolio company owned by more than one Fund, such follow-on investment will generally be made in the same proportions as the original investment, unless Chicago Pacific determines another proportion is more appropriate. As a result, a Fund could invest in an opportunity that another Fund has declined, or decline to invest in an opportunity which another Fund has taken.

The Real Estate Fund invests in real estate leased or owned by the Chicago Pacific portfolio companies. Such target properties can include a coordinated sale of the business to an Equity Fund and sale of the related property to the Real Estate Fund. To the extent that the Real Estate Fund invests in real estate leased or owned by an Equity Fund portfolio company, Chicago Pacific expects to be subject to potential conflicts of interest in determining the terms of (i) the acquisition of such real estate and (ii) the lease or other agreement between the Real Estate Fund and the Equity Fund portfolio company.

In the future, Chicago Pacific reserves the right to expand its investment management services beyond the Equity Funds and the Real Estate Funds potentially including through some or all of the following: single investor funds, managed accounts, overage funds, funds with different operational strategies, target investment sizes, target investment securities (including debt instruments), geographic focuses or expected hold periods, special purpose acquisition companies (“SPACs”) and/or other specialized investment vehicles (collectively, “Other Chicago Pacific Products”). In some cases, these Other Chicago Pacific Products are expected to have overlapping investment strategies with one or more of the Funds.

*Transactions Among Funds.* Potential conflicts of interest are expected to arise when and to the extent a Fund makes an investment in a portfolio investment in conjunction with an investment made by one or more Funds. For instance, a Fund may not invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as such other Fund(s). Under those circumstances, this would be expected to result in differences in price, investment terms, leverage and associated costs between the Funds. There can be no assurance that the Funds will exit the investment at the same time or on the same terms, and there can be no assurance that one Fund’s return on such an investment will be the same as the returns achieved by any other Fund participating in the transactions. If additional capital is necessary for the portfolio investment as a result of financial or other difficulties, or to finance growth or other opportunities, the Funds reserve the right to provide or not provide such additional capital, and each generally will supply such additional capital in such amounts, if any, as determined in the discretion of Chicago Pacific, subject to the terms of the relevant Governing Documents.

To the extent permitted under the Governing Documents, the Funds reserve the right to acquire their interests in a portfolio investment at the same time or at separate times and on similar or different terms than another Fund. Examples of such transactions include (i) a Fund making an investment in a pre-existing portfolio investment of another Fund and (ii) one or more Funds later investing in portfolio investments in which another Fund has invested. In each case, the foregoing transactions would be expected to have an effect (either positive or negative) on the market value of the participating Funds’ investment. In connection with any investment in which another Fund also participates, Chicago Pacific reserves the right to make independent decisions regarding recommendations of when one Fund, as compared to any other Fund, should purchase and sell investments. As a result, one Fund will be permitted to purchase an investment at a time when another

Fund is selling the same or a similar investment, or vice versa. There can be no assurance that the return on the participating Funds' investments will be the same. If a Fund enters into any indebtedness or guaranty with another Fund on a joint and several basis, Chicago Pacific will be permitted to cause the Funds to enter into one or more agreements that provide each of the Funds with a right of contribution, subrogation or reimbursement. In administering or seeking to reinforce these agreements, Chicago Pacific expects to be subject to potential conflicts of interest between the participating Funds. Chicago Pacific intends to mitigate any potential conflicts by structuring such agreements in a manner intended to cause each of the Funds to bear its proportionate share of the applicable indebtedness.

Chicago Pacific will be faced with a variety of potential conflicts of interest when it determines allocations of various fees and expenses to a Fund. Chicago Pacific, in its sole discretion, will allocate fees and expenses in accordance with the Governing Documents and in a manner that it believes in good faith is fair and equitable to all Funds under the circumstances and considering such factors as it deems relevant. The allocations of such expenses often will not be proportional, and any such determination involves inherent matters of discretion, e.g., in determining whether to allocate pro rata based on number of Funds or co-investors receiving related benefits or proportionately in accordance with asset size. It is possible that a Fund will bear the expenses of diligence and related expenses that ultimately benefit another Fund that acquires a particular investment.

Given the nature of these conflicts, there can be no assurance that the resolution of these conflicts will be beneficial to all Funds. In that regard, actions taken for one or more Fund may adversely affect another Fund.

*Cross-Transactions.* Chicago Pacific reserves the right to arrange for a transaction in which (i) a Fund buys an asset or a security from, or sells an asset or a security to, the account of one or more other Funds, (ii) parallel Funds buy or sell an asset or a security from the account of one another in connection with a rebalancing, as provided for in their Governing Documents or (iii) a Fund portfolio investment buys an asset or a security from, or sells an asset or a security to, another Fund or portfolio investment. In doing so, Chicago Pacific reserves the right to (a) use an unaffiliated broker-dealer or custodian to execute such cross-transaction and pay such broker-dealer or custodian in connection therewith, or (b) execute such cross-transaction directly without the use of a broker-dealer or custodian. Any compensation expenses or other transaction costs associated with a cross-transaction are expected to be allocated among the Funds, portfolio companies or investments participating in such cross-transaction pro rata based upon the expenses that relate to each, unless Chicago Pacific determines that a different allocation would be more fair or equitable. Despite Chicago Pacific's good faith judgment to arrive at a fair and reasonable purchase price, cost and expense allocation methodology, the use of any particular methodology could lead a Fund to bear relatively more in certain instances and relatively less in other instances compared to what another Fund would have borne if a different methodology had been used or if the applicable transaction was with a third party. In particular, there can be no assurance that such allocations will correlate to the relative performance

or value of the underlying assets or securities on an ongoing basis. When effecting cross-transactions, Chicago Pacific expects to have conflicting responsibilities with respect to each participating Fund.

*Other Chicago Pacific Products.* Chicago Pacific reserves the right in the future to expand its investment management services to offer Other Chicago Pacific Products, which would give rise to potential additional conflicts of interest not specifically described herein. There can be no assurance that Chicago Pacific will identify or resolve all such conflicts of interest and, if resolved, that such conflicts will be resolved in a manner that is favorable to all Funds. Chicago Pacific expects that the investment activities of the Other Chicago Pacific Products could generally give rise to additional conflicts of interest in connection with allocating investment opportunities. The potential investments and activities of the Other Chicago Pacific Products have the potential to increasingly overlap with the potential investments and activities of the Funds, and the possibility that an Other Chicago Pacific Product will invest in the same portfolio companies or investments as one or more Funds or in a target that would otherwise be suitable for a Fund or one or more Funds does exist. There can be no assurance that all investment opportunities identified by Chicago Pacific and its affiliates will be made available to all Funds. Notwithstanding the actual and potential conflicts of interest that are expected to arise, Chicago Pacific generally expects to determine the allocation of investment opportunities among a Fund and any Other Chicago Pacific Products in a similar manner as described above. If any Other Chicago Pacific Products are formed, investment opportunities would be expected to be allocated in any number of ways between the Funds and/or such Other Chicago Pacific Products, and there can be no assurance that the application of Chicago Pacific's allocation policies and procedures will result in the allocation of any particular investment opportunity to a Fund.

*Certain Affiliate Transactions.* The Funds are permitted to hold interests in portfolio investments that are of a different class or type than the class or type of interests held by the other Funds. For example (i) one Fund could hold debt while another Fund holds equity securities of the same portfolio investment or (ii) one Fund could hold a certain class of equity securities while another Fund holds a different class of equity securities of the same portfolio investment. Because of the different legal rights associated with equity and debt investments, Chicago Pacific can face a potential conflict of interest in respect of the advice it gives to, and the actions it takes on behalf of, multiple Funds. For example, questions can arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt investments should be refinanced or restructured. In addition, to the extent that a Fund invests in a debt instrument of a portfolio investment in which another Fund holds equity securities, Chicago Pacific would be subject to potential conflicts of interest in determining the terms of each Fund's debt instrument and in managing the Funds' investments in such portfolio investment on a going-forward basis. In troubled situations, certain decisions, including whether to enforce claims, whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any workout or restructuring, are expected to raise potential conflicts of interest with respect to the participating Funds, whose interests are likely to diverge in such situations. For example, one Fund could be more senior or more junior to another Fund in the



capital structure of the portfolio investment, which could mean that in a workout or other distressed scenario such Fund could be adverse to another Fund and might recover all, part or none of its investment while another Fund recovers more or less. Potential conflicts are also expected to arise between Funds in negotiating the price of the debt securities or interests, the characterization of such debt securities or interests, the terms of inter-creditor agreements, the interest rate or stated dividend yield of such securities or interests, the nature of the covenants running in favor of lenders and the other terms and conditions of investment or in addressing subsequent amendments or waivers. There can also be potential conflicts as one Fund may desire optimal flexibility to grow the portfolio investment, while another Fund and the other debt investors may want to place tighter restrictions on the type and the amounts of permitted investments and acquisitions. While not required, Chicago Pacific may seek the approval or recommendation of an advisory board if a known or potential conflict of interest arises between the Funds.

*Affiliate Transactions Involving Equity Funds and Real Estate Funds.* The Equity Funds are generally expected to hold interests in portfolio companies and assets that are of a different class or type than the class or type of interests expected to be held by the Real Estate Funds. It is expected that the interests of a Real Estate Fund will from time to time be potentially adverse to the interests of an Equity Fund and its portfolio companies, and the existence and concurrent operation of a Real Estate Fund will give rise to a range of potential conflicts of interest, including, but not limited to those described herein.

To the extent that a Real Estate Fund invests in real estate properties and real estate assets affiliated with an Equity Fund or a portfolio company in which an Equity Fund holds equity securities, Chicago Pacific and its affiliates expect to be subject to conflicts of interest (potentially including conflicting fiduciary duties) in determining the terms of such investment and in managing an Equity Fund's and such Real Estate Fund's investments on a going-forward basis. It is expected that an Equity Fund, its portfolio companies or an affiliate will (a) sell real estate and real estate-related assets, including equity and debt investments in real estate, to a Real Estate Fund and (b) lease assets owned by a Real Estate Fund and engage in other transactions with a Real Estate Fund, including, for the avoidance of any doubt, the lease of real estate and real estate-related assets to the Fund on terms (including annual rent amount) determined by a Real Estate Fund, in its sole discretion, which terms may be more or less favorable than an Equity Fund could obtain from a third-party lessor. Upon acquiring real estate and real estate-related assets, a Real Estate Fund expects to renew existing leases or enter into new leases or comparable rental agreements with the Fund portfolio companies under which such portfolio companies will be lessees, tenants and/or a comparable legal status relative to such Real Estate Fund. Any such transaction may be subject to any advisory board consultation or approval as set forth under the governing documents of a Fund and such Real Estate Fund or in any conflict policy applicable thereto.

The Real Estate Funds are expected to arrange for transactions in which a Fund or a portfolio investment of a Fund (x) enters into built-to-suit lease arrangements with another Fund or one of its

portfolio companies or (y) otherwise acquires direct or indirect interests in undeveloped land or underdeveloped real property (which could be non-income producing) for real estate development or redevelopment with the intent of leasing the property to another Fund or one of its portfolio companies (such an arrangement contemplated by clauses (x) and (y) a “Development Arrangement”) and otherwise invest in real estate properties and real estate businesses affiliated with the Equity Funds or portfolio companies of the Equity Funds, and, as a result, Chicago Pacific and its affiliates expect to be subject to conflicts of interest (potentially including conflicting fiduciary duties) in determining the terms of any transactions between a Real Estate Fund and an Equity Fund or its portfolio companies and in managing the Real Estate Fund’s and Equity Fund’s (including its portfolio companies’) investments on a going-forward basis. It is expected that a Real Estate Fund or an affiliate will (a) buy real estate and real estate-related assets, including equity and debt investments in real estate, from the Equity Funds or their portfolio companies, (b) enter into Development Arrangements and (c) otherwise lease assets to the Equity Funds or portfolio companies of the Equity Funds and engage in other transactions with the Equity Funds, including, for the avoidance of any doubt, the lease of real estate and real estate-related assets of the Real Estate Funds to the portfolio companies of the Equity Funds on terms (including annual rent amount) determined by the Real Estate Funds, in their sole discretion, which terms could be more or less favorable than the Real Estate Funds could obtain from a third-party lessee. Upon acquiring real estate and real estate-related assets from the Equity Funds, a Real Estate Fund expects to renew existing leases or enter into new leases or comparable rental agreements with the Equity Fund’s portfolio companies under which such portfolio companies will be a lessees, tenants and/or a comparable legal status relative to such Real Estate Fund’s portfolio investments. Any such transaction could be subject to any advisory board consultation or approval as set forth under the Governing Documents of the Real Estate Fund and such Equity Fund.

Conflicts also are expected to arise between the Real Estate Funds and the Equity Funds in negotiating the price of the real estate properties and real estate businesses, the nature of the covenants running in favor of lessors and the other terms and conditions of the investment or any lease terms or amounts related thereto or in addressing subsequent amendments or waivers. For example, certain economic arrangements (such as Management Fees, expenses and Carried Interest) with investors of the Funds could incentivize Chicago Pacific to prefer that the aggregate purchase price or lease price for any such real estate property or business (as applicable) be determined in such a manner that does not accurately reflect its relative value, but rather creates the highest return for Chicago Pacific. Further, because of the different legal rights associated with real estate properties and real estate businesses, Chicago Pacific and its affiliates are expected to face a potential conflict of interest in respect of the advice given to, and the actions taken on behalf of, a Real Estate Fund as compared to an Equity Fund.

In addition, the interests of the Real Estate Funds and the Equity Funds are expected to diverge significantly in the case of financial distress of a portfolio company or investment of an Equity Fund. If a Real Estate Fund had the potential to incur a loss on its investment as a result of such difficulties,

Chicago Pacific's ability to recommend actions in the best interests of a Real Estate Fund could be impaired. In troubled situations, certain decisions, including whether to enforce claims or whether to advocate or initiate an eviction, are expected to raise conflicts of interest with respect to the Real Estate Funds (including portfolio investments thereof) and any relevant Equity Funds (including portfolio companies thereof), the interests of which are likely to diverge in such situations.

*Initial Investments.* Chicago Pacific has warehoused investments for the benefit of a Fund prior to its formation. The sale of such warehoused investments presents a conflict of interest with respect to the determination of price and other terms of the transaction. The Governing Documents of each Fund generally describe such warehoused investment transactions for those contemplated prior to the formation of a Fund.

*Time and Attention of the Chicago Pacific Team.* The Chicago Pacific team is expected to spend a portion of their business time and attention pursuing investment opportunities that do not fall within the principal objectives, strategy, scope, investment and guidelines criteria of the Funds. Chicago Pacific believes that the investment of the Chicago Pacific team in the Funds, as well as the Chicago Pacific team's interest in the Carried Interest, operate to align, to some extent, the interest of the Chicago Pacific team with the interest of the investors. At such time as the Firm is permitted to raise successor investment funds to the current Funds, the Chicago Pacific team will continue to manage the Funds' investments, and will also focus investment activities on other opportunities and areas unrelated to the Funds' investments.

*Fees from Portfolio Investments.* Chicago Pacific, the General Partners, the managing partners or any of their respective affiliates, subject to certain limitations, will from time to time earn certain supplemental fees from portfolio investments and from other persons or entities in connection with potential or actual portfolio investments. Such fees can create a conflict of interest with respect to the roles of Chicago Pacific, the General Partners, the managing partners or any of their respective affiliates. Chicago Pacific and its respective affiliates, subject to certain limitations, intend to earn directors' fees, advisory fees, management fees, consulting fees, investment banking fees, acquisition fees, disposition fees, financing fees, monitoring fees, broker's and finder's fees, transaction fees, commitment, topping, break-up fees and litigation payments or equivalent compensation, from portfolio investments and from other persons or entities in connection with potential or actual portfolio investments and such fees shall be for the sole account of the General Partners, Chicago Pacific, the managing partners or any of their respective affiliates. Such fees create a potential conflict of interest with respect to the role of the General Partners, Chicago Pacific, the managing partners or any of their respective affiliates in connection with the Funds. Except for the Management Fee offset, investors will receive no benefit from such fees.

For the Equity Funds, Chicago Pacific will generally have the right to appoint portfolio company board members (including current or former Chicago Pacific employees or persons serving at their request), or to influence their appointment, and to determine or influence the determination of their

compensation. Additionally, from time to time, portfolio company board members approve compensation and other amounts payable to Chicago Pacific or the General Partners in connection with services provided by the Firm and its affiliates to such portfolio company, and, except to the extent such amounts are subject to the offset provisions in the Governing Documents, are in addition to the Management Fees or Carried Interest. The Firm's authority to appoint or influence the appointment of portfolio company board members who are involved in approving compensation payable to Chicago Pacific or the General Partners subjects the Firm and any such portfolio company board appointees to potential conflicts of interest. Chicago Pacific expects to have the right to appoint portfolio company board members (including current or former Chicago Pacific personnel or persons serving at their request), or to influence their appointment, and to determine or influence the determination of their compensation. Additionally, from time to time, portfolio company board members approve compensation and other amounts payable to Chicago Pacific in connection with services provided by Chicago Pacific and its affiliates to such portfolio company, and, except to the extent such amounts are subject to the Governing Documents' offset provisions, are in addition to the Management Fee or Carried Interest. Chicago Pacific's authority to appoint or influence the appointment of portfolio company board members who can be involved in approving compensation payable to Chicago Pacific subjects Chicago Pacific and any such portfolio company board appointees to potential conflicts of interest.

Additionally, a portfolio investment typically will reimburse Chicago Pacific or service providers retained at the Firm's discretion for expenses (including travel expenses) incurred by the Firm, the General Partners or such service providers in connection with the performance of services for such portfolio investment. The Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. Subject to the Governing Documents and Chicago Pacific's internal reimbursement policies and practices, the Firm will determine the amount of these reimbursements for such services in their own discretion.

*Co-Investments.* As described in Item 7 above, Chicago Pacific will from time to time provide co-investment opportunities to one or more investors and/or other persons (including members of the Operations Group, the General Partners, the Firm, any of their respective affiliates and any of their respective partners, employees, officer, members or direct or indirect beneficial owners), in each case on terms to be determined by Chicago Pacific in its sole discretion. Co-investments with third parties involve risks not present in investments where a third party is not involved, including the possibility that a co-investor will have economic or business interests or goals that are inconsistent with those of the Funds, have financial difficulties (which increase the possibility of default) or be in a position to take (or block) action contrary to the investment objectives of the Funds. The Funds are permitted to co-invest with third parties through partnerships, joint ventures or other entities or arrangements. Chicago Pacific reserves the right to grant certain third-party investors the opportunity to evaluate specified amounts of prospective co-investments in Fund portfolio investments or otherwise to have a priority in co-investment opportunities. Such

investments involve risks and potential conflicts of interests not present in investments where a third-party is not involved, including the possibility that a third party co-investor may at any time have economic or business interests or goals that are inconsistent with those of a Fund, may have financial difficulties (which may increase the possibility of default), or may be in a position to take or block action in a manner that is contrary to a Fund's investment objectives. In addition, the Funds in certain circumstances could be liable for actions of their third-party co-investors. In circumstances where such third parties involve a management group, such third parties could receive compensation arrangements relating to such co-investments, including incentive compensation arrangements. There can be no assurance that a Fund's returns from a transaction would be equal to, and no less than, the return of another party that was allocated a co-investment opportunity and that is participating in the same transaction.

Additionally, conflicts of interest are expected to arise in the allocation of co-investment opportunities to the extent that such allocation benefits Chicago Pacific instead of, or more than, a Fund or is not in the best interests of a Fund or any individual investor.

*Use of Credit Facilities.* The Funds are permitted to borrow funds pursuant to a revolving credit facility or other debt facility, including a facility based on the aggregate commitments available to be called. A Fund's use of such facilities will be determined by Chicago Pacific, and the performance of a Fund can be impacted by how Chicago Pacific causes a Fund to utilize such facilities. Although the use of such a facility has the potential to increase a Fund's ability to swiftly invest capital, it also will cause a Fund to incur interest expense and other costs. Potential conflicts of interest are expected to arise in that the use of such facilities likely would delay the need for investors to make certain contributions to a Fund, which may enhance a Fund's performance figures and thereby benefit Chicago Pacific.

In borrowing on behalf of a Fund, Chicago Pacific is subject to potential conflicts of interest between repaying its obligations and retaining such borrowed amounts for the benefit of a Fund, and in circumstances where interest accrues on any such outstanding borrowings at a rate lower than the relevant Fund's preferred return, Chicago Pacific is expected to have incentives to cause a Fund to borrow in this manner rather than drawing down capital commitments. Where a preferred return begins to accrue after capital contributions are due (regardless of when a Fund borrows, makes the relevant investment, or pays expenses) and ceases to accrue upon return of these capital contributions, the use of borrowing to shorten the period between calling and returning capital limits the amount of time the preferred return will accrue. In circumstances where there is not a preferred return on funds borrowed in advance or in lieu of calling capital, Fund-level borrowing typically will reduce the amount of preferred return to which the investors would otherwise be entitled had Chicago Pacific called capital, and thus could result in Chicago Pacific receiving Carried Interest sooner than it would without borrowing. In addition, when the Management Fee is calculated as a percentage of invested capital, an investor would pay Management Fees on borrowed amounts used to fund investments that have not yet been realized even though such amounts would not accrue preferred return as described above. It is expected that the costs relating to the establishment and/or

maintenance of a subscription line of credit will be significant, and there can be no assurance that the benefits to investors will be commensurate with such costs.

*Allocation of Expenses.* Chicago Pacific and its affiliates incur fees, costs and expenses in managing the Funds, including in connection with transactions not consummated, on behalf of the Funds. To the extent practicable, any fees, costs and expenses that are incurred in connection with a consummated investment will be charged to the applicable portfolio investment. To the extent such fees, costs and expenses are not charged to a portfolio investment, they will be paid by each Fund that participated or was expected to participate in such investment as determined by Chicago Pacific to be fair and equitable. However, a Fund generally will be expected to bear co-investors' representative share of such expenses. Each Fund will typically bear a portion of any such fees, costs, and expenses in proportion to the size of its actual or proposed investment, or in such other manner as Chicago Pacific considers, in good faith, to be fair and equitable. Although Chicago Pacific and its affiliates will endeavor to allocate such fees, costs and expenses on a fair and equitable basis as described herein, there can be no assurance that such fees, costs and expenses will in all cases be allocated appropriately. Any such determination involves inherent matters of discretion and conflicts of interest. Notwithstanding the foregoing, Chicago Pacific and its affiliates have developed policies and procedures to address the allocation of expenses, which are subject to change over time and which can differ from the Firm's current practice.

There are occasions when one Fund (the "Payor Fund") pays an expense common to multiple Funds (the "Allocated Funds"). On such occasions, each Allocated Fund will reimburse the Payor Fund for its share of such expense, without interest, promptly after the payment is made by the Payor Fund. There are also occasions where the Firm or a Payor Fund pays an expense on behalf of a portfolio investment. On such occasions, the portfolio investment will reimburse the Firm or Payor Fund for the expense, without interest, and such reimbursement will not be subject to the fee offset provision.

In addition, the Funds, either directly or indirectly through portfolio investments, will bear the cost, including compensation, of directors, executives or consultants to portfolio investments, which can include former principals or employees of Chicago Pacific, in connection with management or consulting services provided by such persons. Any such cost will generally not offset Management Fees paid to Chicago Pacific. Operating Partners are expected from time to time to include former employees of Chicago Pacific or certain portfolio investments, and in some circumstances former Operating Partners are expected to become Chicago Pacific employees or employees of portfolio investments. Consequently, the determination of whether individuals are Operating Partners is expected to vary and/or be revisited from time to time, which poses potential conflicts of interest where certain changes in status or categorization would reduce costs that Chicago Pacific otherwise would be required to bear. There can be no assurance, however, that such rates are the lowest cost available.

Finally, some expenses are incurred on behalf of one Fund which can benefit other Funds. For example, information Chicago Pacific obtains in connection with a Fund's research, due diligence and investment activities will be valuable to other Funds. Additionally, tools and resources developed at Chicago Pacific's expense will be the intellectual property of Chicago Pacific and not the Funds.

*Employees and Service Providers.* Chicago Pacific and/or its affiliates will, from time to time, employ persons with pre-existing ownership interests in portfolio investments owned by the Funds; conversely, former employees or executives of Chicago Pacific and/or its affiliates serve in significant management roles at portfolio investments or service providers recommended by Chicago Pacific. Similarly, Chicago Pacific, its affiliates and/or employees maintain relationships with (or can invest in) financial institutions, service providers and other market participants, including managers of private funds, investment bankers, lenders, consultants, professional advisors (such as attorneys and accountants), banks, brokers, advisors, finders (including executive finders and portfolio investment finders), institutional investors, family offices, co-investors, current and former directors, officers and employees of current and former portfolio investments and former employees and members of Chicago Pacific, as well as certain family members or close contacts of these persons. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with or provide services (including services at reduced rates) to Chicago Pacific, its affiliates or the Funds. Chicago Pacific is subject to a conflict of interest with a Fund in recommending the retention or continuation of a third party service provider to such Fund or a portfolio investment if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds, will provide Chicago Pacific information about markets and industries in which Chicago Pacific operates (or is contemplating operations) or will provide other services that are beneficial to Chicago Pacific. Chicago Pacific will generally have a conflict of interest in making such recommendations in that Chicago Pacific has an incentive to maintain goodwill between it and the existing and prospective portfolio investments, while the products or services recommended will not necessarily be the best available to the portfolio investments held by a Fund. Certain principals of Chicago Pacific have pre-existing ownership interests in a portfolio investment in which one Fund has invested. Those interests are exempted from provisions in the Governing Documents that would otherwise limit outside investments or activities of Chicago Pacific's principals. As the principals' terms of investment vary from those of the Fund, the principals are subject to conflicts of interest with the Fund in determining whether to vote, maintain or sell their ownership interests in such portfolio investment in the future.

Over the life of a Fund, the Firm generally expects to exercise its discretion to recommend to such Fund or to a portfolio investment thereof that it contracts for services with various service providers, potentially including, among others: (i) the Firm (or an affiliate, which can include other portfolio investments of the Funds) and at rates determined or substantively influenced by Chicago Pacific; (ii) an entity with which the Firm or its affiliates or current or former members of their personnel has a relationship or from which such person derives a financial or other benefit (including relationships

with joint venturers or co-venturers, or relationships where Chicago Pacific personnel are seconded, or from which Chicago Pacific receives secondees); or (iii) an investor in any of the Funds. This subjects Chicago Pacific to potential conflicts of interest because although it intends to select service providers that it believes are aligned with its operational strategies and that will enhance portfolio investment performance, it will have an incentive to recommend the related or other person because of its financial or business interest.

Additionally, it is possible that Chicago Pacific, because of such incentive or for other reasons (including whether the use of such persons could establish, recognize, strengthen or cultivate relationships that have the potential to provide longer-term benefits to the Firm or the Funds), will favor such retention or continuation even if a better price and/or quality of service provider could be obtained from another person. Whether or not Chicago Pacific has a relationship with or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost. Chicago Pacific will not necessarily seek out the lowest cost options when incurring (or causing the Funds or their portfolio investments to incur) such expenses. Although the Chicago Pacific seeks appropriate rates for services, it reserves the right to prioritize prior usage, perceived sector competence or expertise, familiarity, onboarding speed or other factors in retaining or recommending service providers.

Additionally, a portfolio investment typically will reimburse Chicago Pacific or service providers retained at Chicago Pacific's discretion for expenses (including, without limitation, travel expenses) incurred by Chicago Pacific or such service providers in connection with the performance of services for such portfolio investment. This subjects Chicago Pacific to conflicts of interest because the Funds generally does not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. Subject to the Governing Documents and its internal reimbursement policies and practices, Chicago Pacific determines the amount of these reimbursements for such services in its own discretion.

On occasion a Fund bears the full cost and expense of engaging certain third-party service providers on behalf of a portfolio company. As a Fund is not the sole shareholder of the portfolio company, other shareholders will benefit from the costs incurred by such Fund and will not reimburse the Fund for their pro rata portion of the cost of any such service provider.

*Other Benefits.* In connection with its services to the Funds and their investments, Chicago Pacific, its affiliates and personnel expect to receive the benefit of certain tangible and intangible benefits. For example, in the course of Chicago Pacific's operations, including research, due diligence, investment monitoring, operational improvements and investment activities, Chicago Pacific and its personnel expect to receive and benefit from information, "know-how," experience, analysis and data relating to a Fund or portfolio investment (as applicable) operations, terms, trends, market demands, customers, vendors and other metrics (collectively, "Chicago Pacific Information"). In many cases, Chicago Pacific



Information will include tools, procedures and resources developed by Chicago Pacific to organize or systematize Chicago Pacific Information for ongoing or future use. Although Chicago Pacific expects a Fund and its portfolio investments generally to benefit from Chicago Pacific's possession of Chicago Pacific Information, it is possible that any benefits will be experienced solely by other Funds or portfolio investments and not by the Fund or portfolio investment from which Chicago Pacific Information was originally received or derived. Chicago Pacific Information will be the sole intellectual property of Chicago Pacific and solely for the use of Chicago Pacific. Chicago Pacific reserves the right to use, share, license, sell or monetize Chicago Pacific Information, without offsetting or otherwise reducing the Management Fees, and a Fund or portfolio investment will not receive any financial or other benefit of such use, sharing, licensure, sale or monetization. Additionally, expenses relating to a Fund or its portfolio investments are expected to be charged using credit cards or other widely available third-party rewards programs that provide airline miles, hotel stays, travel rewards, traveler loyalty or status programs, "points," "cash back," rebates, discounts and other arrangements, perquisites and benefits under the available terms of such reward programs. Such terms are expected to vary from time to time, and any such rewards (whether or not *de minimis* or difficult to value) generally will inure to the benefit of the personnel participating in the rewards program, rather than the portfolio investments, a Fund or its respective investors; no such rewards will offset or otherwise reduce the Management Fees.

*Certain Consultants.* Chicago Pacific expects to employ, use or retain, on behalf of a Fund and/or the portfolio investments, as applicable, operating partners, other consultants and other companies and individuals (collectively, "Special Consultants"), which are permitted to be affiliates of Chicago Pacific, employees of such affiliates, portfolio investments of other investment funds managed by the Firm or its affiliates, third party consultants (including individual consultants and external executives), the Operations Group, "operating partners," "strategic partners," "executive partners," or "senior advisors" primarily to provide services to a Fund or any portfolio investment or prospective portfolio investment in connection with the identification, acquisition, holding, improvement and/or disposition of portfolio investments, including operational aspects of such portfolio investment ("Services").

Pursuant to the Governing Documents, compensation, fees and reimbursement of certain expenses associated with the Services (collectively, "Consulting Fees and Expenses") are authorized to be paid and/or reimbursed by applicable portfolio investments or prospective portfolio investments, or directly by the Fund. Consulting Fees and Expenses (including, for avoidance of doubt, Consulting Fees and Expenses paid to the Operations Group) are not included as "Transaction Fees" and do not reduce or offset the Management Fee. Consulting Fees and Expenses are expected to include cash fees, retainers, discretionary bonuses (whether or not based on pre-determined milestones), a profits, participation or equity interests in a portfolio investment or holding company, incentive equity or stock awards, a profits or equity interest in a Fund or a General Partner, remuneration from Chicago Pacific and/or a Fund or their affiliates, guaranteed minimums, other shares of proceeds upon the sale of portfolio investments and/or other incentive based compensation to Special

Consultants, which can be determined according to one or more methods, including the value of a Special Consultant's time (including an allocation for overhead and other fixed costs), a percentage of the value of a portfolio investment, the invested capital exposed to a portfolio investment, amounts believed to be charged by other providers for comparable services, and/or a percentage of cash flows from a portfolio investment. Compensation in the form of profits or equity interests in a portfolio investment or intermediate holding company generally has a dilutive impact on a Fund's investment, and a Fund typically will bear the cost of all Special Consultant compensation as well as fees, costs and expenses of structuring Special Consultant arrangements. To the extent that Special Consultants are paid retainers or guaranteed minimum compensation amounts, there is the possibility that certain portfolio investments or a Fund will bear a greater share of such compensation due to the utilization of the Special Consultant's services at a time when fewer portfolio investments or other Funds make use of such Special Consultants. Additionally, portfolio investments are expected, from time to time, to provide opportunities for Special Consultants to invest in such portfolio investment and reimburse costs and expenses incurred by Special Consultants. Special Consultants also receive remuneration from Chicago Pacific and/or the Fund or affiliates and/or be entitled to other forms of compensation, including a salary, guaranteed payments, office space, business cards, health insurance and/or equity grants in portfolio investments. Such investment opportunities, reimbursements and other compensation paid to a Special Consultant will not offset or otherwise reduce the Management Fee. Special Consultants are permitted to have a limited partnership or profit interest in a Fund or its General Partner. Although Chicago Pacific intends to retain Special Consultants with a view to reducing costs to portfolio investments (and, ultimately, a Fund) and/or improving portfolio investment performance, a number of factors could result in limited or no cost savings from such retention. In addition, Chicago Pacific intends to retain only such Special Consultants which it believes provide a level of service at a value generally consistent with other relevant market alternatives. However, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Although Chicago Pacific intends to retain Special Consultants with a view to reducing costs to portfolio investments (and, ultimately, a Fund) and/or otherwise improving portfolio investment performance, due to a variety of factors, any such retention may result in limited cost savings, no cost savings or an increase in costs, in which case portfolio investment performance may be only marginally improved or may be negatively affected, as applicable. There can be no assurance that a more qualified and/or lower cost alternative could not be obtained.

In addition, portfolio investments of a Fund are authorized to pay Special Consultants to perform Services that, directly or indirectly, benefit Chicago Pacific or its affiliates. Consequently, Chicago Pacific, its affiliates and/or portfolio investments may receive Services without being charged or at reduced rates. Conversely, portfolio investments of a Fund may benefit from Services that are paid for by Chicago Pacific, its affiliates and/or portfolio investments of other Funds. Likewise, certain other Funds are expected to pay Special Consultants (including the Operations Group) to perform

services that, directly or indirectly, benefit Chicago Pacific, its affiliates, another Fund and/or portfolio investments of such other Fund. There can be no assurance that a Fund or its portfolio investments will receive benefits paid for by other Funds or their portfolio investments that are commensurate to the benefits received by such other Funds and their portfolio investments.

*Industry Relationships.* As with other private equity fund sponsors, as part of Chicago Pacific's business, the principals, the Firm and its employees have developed many relationships with third parties which have the potential to raise conflicts of interest. Such third parties include investment bankers, lenders, consultants, professional advisers (such as attorneys and accountants), co-investors, current and former directors, officers and employees of current and former portfolio investments and former employees and members of Chicago Pacific. Certain of these third parties will on occasion: (i) introduce investment opportunities to Chicago Pacific; (ii) arrange for, or facilitate the financing of, the purchase or recapitalization of current and potential portfolio investments; (iii) introduce portfolio investments to potential acquisition or merger candidates; (iv) facilitate the disposition of portfolio investments; or (v) provide investment banking, consulting, legal or advisory services to Chicago Pacific, the Funds or portfolio investments. Certain of such third parties also provide goods or services to or have business, personal, political, financial or other relationships with the managing partners. In addition, such third parties can invest in one or more Funds; co-invest in one or more portfolio investments; or provide other significant business or investment services to Chicago Pacific, the Funds and their portfolio investments. These relationships can influence the Firm in deciding whether to select or recommend any such third party to perform services for the Funds or a portfolio investment. The cost of many services provided by such third parties are expected to be borne directly or indirectly by the Funds or their portfolio investments, as applicable.

*Valuation of Assets.* There is not expected to be an actively traded market for most of the investments owned by the Funds. When estimating fair market value, Chicago Pacific will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. However, the process of valuing investments for which reliable market quotations are not available is based on inherent uncertainties and the resulting values can differ from values that would have been determined had an active market existed for such investments and can also differ from the prices at which such investments are ultimately sold. The Firm's discretion in respect of such valuations is expected to give rise to potential conflicts of interest, including in connection with determining the amount and timing of distributions of Carried Interest and the calculation of Management Fees. In particular, where the Management Fee is calculated based on the valuation of an investment, or a determination of whether an investment has been written-off or otherwise permanently impaired, Chicago Pacific will have an incentive to make determinations that result in the continued payment of the, or a higher, Management Fee. In situations where the Management Fee is calculated based on committed capital, contributed capital or the cost basis of investments, the Management Fee generally will not be reduced based on reductions in investment value. Absent bad faith or manifest error, valuation determinations in accordance with Chicago

Pacific's valuation policy will be conclusive and binding. Moreover, because Chicago Pacific will determine in its discretion the value of any such assets, Chicago Pacific will have an apparent conflict of interest in making that determination, given the potential impact of such valuations on a Fund's performance results.

In addition, the Firm regularly reports to Fund investors, prospective investors and the investor community more generally, metrics of each Fund's performance, such as rates of return and multiples-of-money, whose calculation depends on the value of the Funds' investments, including unrealized investments. These reports are an indication of the overall health of a Fund and are important to the Firm's efforts to attract investors to the Firm and any current or future Fund. An objective of Chicago Pacific's valuation methodologies and procedures is to eliminate any influence these incentives have on fair value determinations.

*Material Non-Public Information.* From time to time, Chicago Pacific, its affiliates and its personnel, as a result of their operations, as well as in connection with officerships or directorships of Chicago Pacific personnel, are expected to come into possession of confidential or material, non-public information concerning specific companies ("MNPI"). As a consequence of the Firm's inability to use MNPI for investment purposes under applicable securities laws and/or Chicago Pacific's internal policies, the Funds' investment flexibility would be expected to be constrained. For example, the Funds may be restricted from initiating a transaction or selling an investment which, if MNPI had not been known, it otherwise may have been undertaken on account of applicable securities laws and/or Chicago Pacific's internal policies and practices. Chicago Pacific and the Funds anticipate that, to minimize the impact of such restrictions, it may elect not to receive MNPI in certain situations in which such an election is available.

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

*Advisory Boards.* Each Fund's General Partners will appoint several investor representatives to a Fund's advisory board, which has the ability to review and waive compliance with certain provisions of the Governing Documents, including resolving potential conflicts of interest situations, and whose approval is required or will be requested in certain circumstances under the Governing Documents, including certain approvals or consents required by the Advisers Act. Pursuant to the terms of the Governing Documents, all investors in a Fund are bound by the determinations of such Fund's advisory board, regardless of whether an investor is represented by a member of the advisory board.

The Governing Documents generally provide that to the fullest extent not prohibited by applicable law, none of the advisory boards' members owe any fiduciary duties to the Funds or any investor. An advisory board member reserves the right to consider the interests of the investor it represents over the interests of the investors as a whole when voting or consenting to any matter submitted to the advisory board. Members of the advisory board are expected to have potential conflicts of interest that do not disqualify such members from voting or consenting to matters for consideration or review. In addition, members of the advisory boards can have various business and other relationships with Chicago Pacific and its members, partners, managers, directors, officers, employees and affiliates, which relationships can influence their decisions as members of an advisory board. To the extent that an investor is not represented by a member of the advisory board, such investor will have no influence over matters submitted to the advisory board for review or approval. On any issue involving actual conflicts of interest, Chicago Pacific will be guided by its good faith discretion.

In addition, members of one Fund's advisory board will, in some cases, also be a member of another Fund's advisory board. In such instances, a conflict of interest could be deemed to exist if one advisory board is requested to provide consent with respect to transactions which involve conflicts of interest between two or more Funds on which such advisory board members serve, and such members would be unlikely to recuse themselves from any such vote. Advisory board members and members of the advisory boards of other Funds are not required nor are they likely to recuse themselves from any such vote. To the extent members of an advisory board vote regarding conflicts or otherwise participate in matters involving a vote or action, such members may not vote solely in accordance with their interests related to one Fund vis a vis another Fund, including for example, if such a member is required to vote on issues regarding conflicts between the Funds. Such members are unrestricted from voting and have the potential to affirmatively vote in a manner that is in their own interest and adverse to the interest of other limited partners. Finally, advisory board members may choose to abstain from voting on certain issues, which means that certain votes and issues could be decided only by non-abstaining members and less than a complete group of advisory board members.

*Conflicting Interests Among Investors.* It is possible that investors will have conflicting investment, tax and other interests with respect to their investments in the Funds, including conflicts relating to the structuring of the acquisition of portfolio investments and the timing of the disposition of investments. As a consequence, conflicts of interest could arise in connection with decisions made by Chicago Pacific that are more beneficial for one investor than another investor, especially with respect to investors' individual tax situations. In structuring, acquiring and disposing of investments, Chicago Pacific generally considers the investment, tax and other relevant objectives of a Fund and its respective investors as a whole, and not the individual investment, tax or other objectives of any particular investor.

*Platform Companies.* At times a Fund establishes or invests in portfolio investments that in turn seek to acquire interests in related companies or assets. The Funds are generally authorized to fund these

platform investments up front or gradually over time. While a Fund is, by virtue of the control it exercises over a platform investment, involved in the strategy, governance and oversight of such platform investment (and Chicago Pacific provides services to the platform investment similar to the services typically rendered to other portfolio investments), a platform investment also retains its own qualified management team to operate, administer and manage the platform company on a daily basis. Such management team provides services that are similar to, and that overlap with, services Chicago Pacific provides to the Fund. Some members of the management team render services exclusively to the platform investment or provide the same or similar services to other Funds, to portfolio investments or to third parties.

A platform investment compensates its management team in a number of ways, including through annual salaries and bonuses, incentive-based compensation (such as profits interests, carried interest, equity, options and warrants), fees for services or a combination of the foregoing. In any case, the Funds generally indirectly bear the cost of such compensation, as well as all other platform investment expenses, including start-up, operating and overhead expenses, through their direct or indirect interest in the platform investment. Any compensation the management team receives, regardless of whether a Fund or portfolio investment pays, is in addition to, and does not offset, the Management Fee paid by investors.

A platform investment's structure and relationship to the Firm creates conflicts of interest. For example, although Chicago Pacific (by virtue of our control of the Funds) forms the platform investment and in doing so has the ability to determine or significantly influence the form and amount of compensation paid to a platform investment's management team, the platform investment (and ultimately the relevant Fund) bears the attendant expense. The close business or personal relationships that Chicago Pacific has with certain members of management give the Firm less incentive to limit such compensation. In addition, given that Chicago Pacific (and not the Funds) otherwise pays the salaries of Chicago Pacific employees, Chicago Pacific has the incentive to cause a platform investment to retain its own management team instead of relying on Chicago Pacific employees to provide managerial services, or to convert existing employees into members of a platform investment's management team.

*Fees Payable to Affiliated Service Provider.* Certain senior living facility portfolio properties held by the Funds pay fees to an affiliated service provider, Grace Management, in connection with the operation of the portfolio property's senior living facilities. Grace Management also performs services for third party senior living facilities unrelated to the Chicago Pacific portfolio investments. Fees paid by Fund portfolio investments and by third party senior living facilities unaffiliated with Chicago Pacific to Grace Management will not reduce or offset Management Fees. Chicago Pacific has a conflict of interest in selecting (or influencing a portfolio property to select) Grace Management to provide property management services on behalf of portfolio investments held by the Funds. However, because Grace Management also provides similar services to third parties, Chicago Pacific believes such amounts charged have been determined based on market rates.

*Outsourced Services to Third-Party Service Providers.* Services required by a Fund (including some services historically provided by Chicago Pacific or its affiliates to the Funds) can be, for certain reasons including efficiency and economic considerations, outsourced in whole or in part to third parties in the discretion of Chicago Pacific. Chicago Pacific has an incentive to outsource such services to third parties at the expense of the Funds to, among other things, leverage the time and use of Firm personnel and/or for other purposes in a manner which recoups the costs of some of its overhead. Such services can include, without limitation, deal sourcing via consultants or other third parties, information technology, license software, data processing, client relations, administration, custodial, accounting, legal and tax support and other similar services. Outsourcing will not necessarily occur universally for all Funds and accordingly, certain costs can be incurred by a Fund for a third-party service provider that is not incurred for comparable services by other Funds. The decision by Chicago Pacific to initially perform a service for a Fund in-house does not preclude a later decision to outsource such services (or any additional services) in whole or in part to a third-party service provider in the future. The costs and expenses of any such third-party service providers will be borne by the Funds in accordance with a Fund's Governing Documents.

*Employees Seconded to Portfolio Investments.* From time to time, current employees, former employees, executives or other Chicago Pacific personnel serve in management roles at, or otherwise are employed by, a Chicago Pacific portfolio investment. Any compensation received by such person from the relevant portfolio investment is not subject to the Management Fee offset described in Item 5 above. Selection on which employees to serve in a role at a portfolio investment will be made by Chicago Pacific in its discretion, often also in consultation with the portfolio investment, taking into account the portfolio investment's size, the location of the portfolio investment, the complexity of the work and the employee's experience. These seconded arrangements have the potential to create conflicts of interest in that amounts paid by a portfolio investment in connection with secondees relationships will not result in additional offsets to the Management Fee. Due to the nature of secondees relationships, which are often initiated to meet a temporary portfolio investment need, the arrangements between such employees and the related portfolio investment are expected to change over time, and in many cases will be terminated when the portfolio investment is sold. There can be no guarantee that employees will return to Chicago Pacific at the end of such secondees arrangement.

*Conflicts Related to the Interpretation of Governing Documents and Other Legal Requirements.* The Governing Documents of each Fund and related documents are detailed agreements that establish complex arrangements among Chicago Pacific, the investors, the Fund, the General Partner and other entities and individuals. Questions can arise under these agreements regarding the parties' rights and obligations in certain situations, some of which will not have been contemplated at the time of the agreements' drafting and execution. In these instances, the operative provisions of the agreements, if any, can be broad, general, ambiguous or conflicting, and permit more than one reasonable interpretation. At times there will not be a provision directly applicable to the situation. While Chicago Pacific will construe the relevant agreements in good faith and in a manner consistent with

its legal obligations (and, when appropriate, in consultation with external legal counsel), the interpretations Chicago Pacific adopts will not necessarily be, and need not be, the interpretations that are the most favorable to the Funds or their investors.

### **Item 9 – Disciplinary Information**

Like other registered investment advisers, Chicago Pacific is required to disclose all material facts regarding any legal or disciplinary events that would materially impact an investor's evaluation of Chicago Pacific or the integrity of Chicago Pacific's management. Chicago Pacific and its management persons have not been subject to any material legal or disciplinary events requiring disclosure to this Item 9.

On occasion, in the ordinary course of its business, Chicago Pacific, the Funds or the Funds' portfolio investments (or their respective directors and executive officers) are named as defendants in a legal action. Although there can be no assurance of the outcome of such legal actions, Chicago Pacific does not believe that any current legal proceedings or claims to which Chicago Pacific, the Funds or the Funds' portfolio investments (or their respective directors and executive officers) are a party, if any, would individually or in the aggregate materially affect an investor's or prospective investor's evaluation of the Firm or the integrity of the Firm's management.

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

Neither Chicago Pacific nor any of its management persons are registered or have an application pending to register as a broker-dealer or registered representative of a broker-dealer.

Neither Chicago Pacific nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor or an associated person of the foregoing.

Chicago Pacific has no arrangement with a related person who is a broker-dealer, municipal securities dealer, government securities dealer or broker, investment company, other investment adviser or financial planner, futures commission merchant, commodity pool operator, commodity trading advisor, banking or thrift institution, accountant or accounting firm, insurance company or agency, pension consultant, real estate broker or dealer, or sponsor or syndicator of limited partnerships that is material to its advisory business or to the Funds or its investors. Chicago Pacific has and will continue to develop relationships with professionals who provide services it does not provide, including: legal, accounting, banking, investment banking, tax preparation, insurance brokerage, information technology, compliance and other services. Some of these professionals provide services to the principals, employees, Funds or their portfolio investments. Additionally, some of these professionals are investors in the Funds, either personally or through their company.



The son of Chicago Pacific's Chief Compliance Officer/Chief Financial Officer is a partner at a law firm that Chicago Pacific engages to perform legal services for the General Partners, the Funds and various portfolio investments. The services are performed at market rates. Further, one of the Firm's managing partners is related to the Firm's Chief Operating Officer/Head of Investor Relations. Chicago Pacific does not believe the provision of such services nor the familial relationships create a conflict of interest with its Funds.

As mentioned in Item 4 above, Chicago Pacific is affiliated with the Funds' General Partners which are deemed registered with the SEC under the Advisers Act pursuant to Chicago Pacific's registration. These General Partners operate as a single advisory business together with Chicago Pacific and serve as the General Partner, other adviser, affiliate or managing members of private investment funds and other pooled vehicles and share common owners, officers, partners, employees, consultants, operating partners, Operations Group members or persons occupying similar positions. The General Partners do not have employees of their own.

From time to time, Chicago Pacific receives training, information, promotional material, meals, entertainment, gifts or perquisites from vendors and others with whom it does business or to whom it makes referrals. At no time will Chicago Pacific accept any benefits, entertainment, gifts or other arrangements that are conditioned on directing business to a specific vendor. Similarly, Firm employees have in the past, and expect in the future, to speak at and attend conferences and programs for potential investors interested in investing in private funds or other industry events that are sponsored by various investment bankers, broker-dealers or others. Through such capital introduction and other events, prospective investors have the opportunity to meet with Chicago Pacific. Neither Chicago Pacific nor any Fund compensates investment bankers, broker-dealers or others for organizing such events or for investments ultimately made by prospective investors attending such events other than registration, sponsorship, membership or other similar fees paid to attend such events.

## **Item 11 – Code of Ethics, Interest in Client Transactions and Personal Trading Code of Ethics**

### **Code of Ethics and Personal Trading**

Pursuant to Rule 204A-1 of the Advisers Act, Chicago Pacific has adopted a written Code of Ethics ("Code of Ethics") which sets forth standards of conduct that are expected of Chicago Pacific supervised persons as well as addresses personal trading and reporting of personal securities transactions, gifts and entertainment and outside business activities, among other topics. The Code of Ethics requires all supervised persons to place Fund interests ahead of the Firm's interests, to avoid taking advantage of his or her position and to maintain full compliance with the federal securities laws. With respect to third parties that are not subject to the trading restrictions under Chicago Pacific's Code of Ethics and that may otherwise obtain sensitive and nonpublic information relating to a Fund deal (*e.g.*, co-investors, legal, financial, diligence, public relations and other similar service providers),

such persons typically are subject to contractual provisions in confidentiality agreements or professional obligations that prohibit the misuse of any such information.

Supervised persons are required to certify their compliance with the Firm's Code of Ethics upon hire and on an annual basis. Supervised persons who violate the Code of Ethics may be subject to remedial actions, including, but not limited to, censure, fines, suspension or dismissal. Supervised persons are also required to promptly report any violations of the Code of Ethics of which they become aware.

The personal trading policy for all Chicago Pacific supervised persons is set forth in the Firm's Code of Ethics and is acknowledged as received and understood by each supervised person. Chicago Pacific's personal trading policies are designed to ensure that no Fund is disadvantaged by the transactions executed by a supervised person and that supervised persons in no respect misappropriate any benefit properly belonging to a Fund.

Chicago Pacific supervised persons and their covered family members are prohibited from trading, either personally or on behalf of others, in securities while in possession of material nonpublic information regarding these securities or communicating material nonpublic information to others. The Code of Ethics establishes guidelines for personal trading requirements, insider trading and reporting of personal securities transactions, including certain pre-clearance and reporting obligations. Chicago Pacific maintains a restricted list of issuers about which it has or may have material nonpublic information. Supervised persons are permitted to make securities transactions in their personal accounts, subject to certain limitations. Pre-clearance is required by supervised persons and their covered family members for certain personal securities transactions, including trading in restricted list securities, initial public offerings and limited offerings. In addition, supervised persons are required to file certain reports and link certain brokerage accounts to the Firm's compliance software to enable monitoring of personal trading by the Chief Compliance Officer or his designee.

Supervised persons occasionally carry on investment activities for their own account and for family members, friends or others, and in connection therewith can potentially give advice and recommend securities which differs from advice given to, or securities recommended or bought for, the Funds, even if their investment objectives are the same or similar. In addition, supervised persons are permitted to buy securities in transactions offered to but rejected by the Funds or outside of the Funds' mandate. For example, in an effort to build relationships with founders and companies, supervised persons at times make personal investments that are not at that time appropriate for a Fund (including through a pooled investing vehicle), such as those that are too small and/or too early stage, in order to form deeper connections with such companies, get insight into their industries and ecosystems over time, and further develop their networks and relationships with the founders, CEOs and boards of such endeavors. Chicago Pacific has found such activity to be fruitful to both its business development efforts and the talent development of its investing professionals.

Chicago Pacific will provide a copy of its Code of Ethics to any investor upon request to Chicago Pacific's Chief Compliance Officer, Mike Wilson at (312) 273-4769 or [mwilson@cpfounders.com](mailto:mwilson@cpfounders.com).

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

Certain employees and their family members have invested in the Funds through a General Partner and/or as Fund investors. As mentioned in Item 5 and Item 6 above, Chicago Pacific generally reduces all or a portion of the Management Fee and Carried Interest related to investments held by such persons. Chicago Pacific does not believe this arrangement presents a material conflict of interest since the General Partners' interests are aligned with the interests of investors in the Funds.

Section 206(3) of the Advisers Act generally prohibits investment advisers from engaging in principal, cross and agency cross transactions without the appropriate disclosure and consent. Chicago Pacific will only enter into a principal, cross or agency cross transaction with the appropriate disclosure and consent.

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account, knowingly buys from or sells a security to an advisory client. This also applies to any affiliates or controlling persons of the adviser (*i.e.*, an owner, employee or affiliate of the adviser, such as a Fund General Partner). Cross trades between Funds can also be deemed to be principal transactions if the adviser (and/or its affiliates, owners or controlling persons) own, in the aggregate, 25% or more of either Fund. In the context of Chicago Pacific's business, a principal transaction would most likely refer to the practice of warehousing an investment for the formation of a future Fund or Chicago Pacific or a Fund General Partner purchasing the interest of an existing investor.

Cross transactions occur when an adviser or an affiliate arranges a transaction (*i.e.*, acts as a broker) between two or more different funds or accounts that are managed by that same adviser or an affiliate. An adviser is not "acting as a broker" if the adviser receives no compensation (other than the advisory fee earned in the ordinary course of managing the assets) for effecting the transaction and therefore is not considered to be conducting a cross transaction under Section 206(3). In the context of Chicago Pacific's business, a cross transaction would occur when selling a portfolio investment or other asset from one Fund to another. Agency cross transactions can arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer, which is not applicable to Chicago Pacific.

In the event Chicago Pacific recommends a principal transaction or cross transaction, it is only after: (i) the Firm has determined the transaction to be in the best interest of participating clients; (ii) the transaction is permitted by the relevant Governing Documents; (iii) proper disclosure is given to the relevant General Partner, advisory board or investors, as appropriate; (iv) consent is obtained from the appropriate parties; and (v) the Firm ensures that best execution is achieved for the transaction. There were two cross transactions during 2023, both between Funds I and Fund III, and both of which followed the above procedures.

## **Conflicts of Interest**

If any matter arises that Chicago Pacific determines in its good faith constitutes an actual conflict of interest, Chicago Pacific will take such actions as it deems necessary or appropriate, in accordance with the Governing Documents, to address the conflict. The Governing Documents of each Fund include a description of what Chicago Pacific believes to be the most significant conflicts of interest associated with an investment in that Fund. Some of these conflicts are summarized in Item 8 above.

## **Item 12 – Brokerage Practices**

Typically, the Funds' investments in portfolio companies are private transactions directly negotiated between prospective portfolio companies (or their representative) and Chicago Pacific and are not facilitated by broker-dealers engaged by Chicago Pacific or the Funds. However, portfolio companies periodically engage broker-dealers or investment bankers to perform various services, such as assisting in capital raising, merger and acquisition activity or the sale of a portfolio company. On occasions when a Fund owns a publicly traded portfolio company, the company will engage a broker-dealer to assist in the purchase or sale of shares of securities. Chicago Pacific has sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker-dealer or investment banker, if any, to be used to effect transactions for the Funds. In executing transactions, Chicago Pacific will seek best execution of the transaction. Best execution is a qualitative assessment that takes into account the full range and quality of a broker-dealer or investment banker's services and is satisfied by obtaining the most advantageous overall terms for the Fund(s) when weighing all factors relevant to the transaction. Best execution is therefore not necessarily determined by lowest possible commission rates.

Whether for private or public securities transactions, Chicago Pacific selects a broker-dealer, investment banker, real estate broker or mortgage broker based on the Firm's best judgment of who can provide best execution and will consider a variety of factors as specified in its compliance manual, including but not limited to: Chicago Pacific's prior experience in working with the broker-dealer or investment banker; the broker-dealer or investment banker's execution capability; financial responsibility, reputation and expertise within the industry; the broker-dealer or investment banker's responsiveness to the Firm; the broker-dealer or investment banker's expertise in dealing with investments that may be restrictive or illiquid in nature; the type and size of the transaction involved; the value of any research services provided; and commission rates, among other factors the Firm deems relevant to the specific transaction.

Although Chicago Pacific generally seeks competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent, especially in private securities transactions that rely heavily on the specialty services or experience of a broker-dealer or investment banker that operate outside of a competitive bidding environment. Transactions that involve such specialized services on

the part of the broker-dealer or investment banker can thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services. Chicago Pacific believes the commissions or mark-ups charged are competitive with those that other broker-dealers and investment bankers charge.

Chicago Pacific does not receive research or other soft dollar benefits in connection with securities transactions for the Funds, does not receive investor referrals in connection with selecting or recommending broker-dealers for the Funds and does not engage in directed brokerage. In the event Chicago Pacific were to aggregate the purchase or sale of securities for Fund accounts, it would do so on a pro rata basis.

### **Item 13 – Review of Accounts**

#### **Review of Accounts**

The investment portfolios of each Fund are generally private, illiquid and long-term in nature. Accordingly, the investment review process is not directed toward a short-term decision to dispose of securities. Chicago Pacific closely monitors the portfolio investments in which its Funds invest and maintains an ongoing oversight position in such portfolio investments. Portfolio reviews occur at least weekly by a team of investment professionals comprised of principals and other investment professionals and encompass reviews of margins, profitability, material business developments, competitive landscape and management, among other factors. Decisions as to when to purchase or sell a portfolio investment are made by the relevant investment committee. With regard to the Equity Funds, Chicago Pacific holds board seats for most of the investments it makes or otherwise acts to influence control of the management of the investments. Partners of Chicago Pacific monitor portfolio investment performance through regular management meetings, as well as detailed reviews of specific portfolio investments that occur as needed. Additionally, the Firm's Chief Compliance Officer periodically checks to confirm that each Fund is maintained in accordance with its stated objectives.

The Firm principals and/or the Chief Compliance Officer would perform additional reviews in the event that a portfolio investment needs subsequent financing, in the event of a potential acquisition or liquidity event or if there were a serious performance issue at a portfolio investment.

#### **Investor Reporting**

Chicago Pacific provides to investors on behalf of the Funds the following written reports: (i) annual audited financial statements prepared in accordance with United States generally accepted accounting principles ("GAAP"), as promulgated by the Financial Accounting Standards Board ("FASB"), accompanied by a report of the independent certified public accountant, within 120 days of fiscal year end (or earlier as agreed to in the relevant Governing Documents); (ii) unaudited financial statements for the first three quarters of each fiscal year; (iii) annual tax information necessary for each investor's

U.S. tax returns; and (iv) descriptive investment information for each portfolio investment periodically. All reports are sent to investors electronically through an investor portal. The Firm also has contact with investors (*e.g.*, personal visits, telephone, video conference and email) throughout the year as requested and/or as conditions warrant.

In the course of conducting due diligence or otherwise, investors periodically request information pertaining to Chicago Pacific's investments and track record. Chicago Pacific responds to these requests, and in answering such requests, provides information that is not generally made available to other investors who have not requested such information. Additionally, as it pertains to existing investors, upon request or pursuant to contractual obligations, certain investors receive additional information and reporting that other investors do not receive. As a result, certain investors will have more information about a Fund than other investors. Chicago Pacific will ensure that the disclosure of preferential information rights complies with the Private Fund Rule commencing with its effective date in September 2024.

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

As mentioned in Item 5 above, Chicago Pacific is permitted to receive certain supplemental fees and reimbursements from the portfolio investments held by the Funds. These fees are paid pursuant to separate agreements entered into with the portfolio investments to provide certain services that Chicago Pacific believes will ultimately enhance the value of the investments and benefit the Funds and their investors.

These types of fee arrangements present potential conflicts of interest and provide Chicago Pacific with an incentive to recommend investments based on compensation received rather than the best interests of a Fund. To help mitigate this potential conflict of interest, an allocable portion of such benefits received by Chicago Pacific or its employees (but not Operations Group members) in connection with services rendered to portfolio investments or transactions of the Fund are offset against Management Fees payable by the Fund, as described further above in Item 5 and as detailed in each Fund's Governing Documents. As some Funds do not pay Management Fees, any such reduction will not benefit such Funds.

As of the date hereof, Chicago Pacific does not directly or indirectly compensate any person who is not a supervised person for client referrals and does not use placement agents to assist in its fundraising efforts. In connection with the fundraise for Fund I, Chicago Pacific engaged a placement agent to serve as an agent for Fund units. Such placement agent continues to receive fees from Chicago Pacific (not from Fund I or the Fund I investors) for commission tails on investors introduced to Fund I who have subscribed as investors in subsequent Funds.

## **Item 15 – Custody**

Chicago Pacific is deemed to have custody over the Funds' assets because the General Partners are not operationally independent from Chicago Pacific: each Fund's General Partner generally has full discretion and control over Fund investments and cash, including the ability to deduct fees from Fund accounts. In order to comply with the Advisers Act Rule 206(4)-2 (the "Custody Rule"), the Firm has elected to undergo an annual GAAP financial statement audit by an independent public accountant registered with and subject to examination by the Public Company Accounting Oversight Board ("PCAOB") for each of the Funds over which it is deemed to have custody, copies of which are (or will be, for newly closed Funds) delivered to the Funds and their respective investors within 120 days of the fiscal year end (or earlier as agreed to in the relevant Governing Documents). In addition, upon the final liquidation of a Fund, Chicago Pacific will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP with respect to such Fund to all underlying investors promptly upon completion of the audit. Investors in the Funds are encouraged to carefully review such financial statements.

Chicago Pacific does not accept physical custody of Fund assets (other than certain privately offered securities to the extent permitted by the Advisers Act). Called capital is directly deposited or wired into the respective Fund's custodial account and public securities will be held with a broker-dealer who acts as a custodian for such securities. Chicago Pacific receives monthly statements from all of its custodians on behalf of the Funds. For more information about the Funds' qualified custodians, please see Form ADV Part 1, Schedule D, Section 7.B.(1).

## **Item 16 – Investment Discretion**

Chicago Pacific is retained on a fully discretionary basis and is authorized to determine and direct the execution of portfolio transactions pursuant to the terms of each Fund's Governing Documents. To become an investor in a Fund, an investor must execute, among other documents, a subscription agreement and a limited partnership agreement (or similar agreement) with a Fund. Such documents generally contain a power of attorney that grants Chicago Pacific or the applicable Fund's General Partner certain powers related to the orderly administration of the affairs of the Funds. Once an investor executes these documents, with limited exceptions discussed elsewhere in this Brochure, Chicago Pacific is not required to contact an investor prior to transacting business in a Fund.

Generally, Chicago Pacific's only restrictions with respect to managing a Fund, such as, but not limited to, the type of securities in which a Fund may invest, will be contained in the relevant Fund's Governing Documents. However, an investor can seek to impose limitations on Chicago Pacific's authority through a side letter agreement, and the Firm and/or the relevant General Partner can choose to accept reasonable limitations or restrictions at its discretion. All limitations and restrictions placed upon Chicago Pacific's investment authority with respect to an investor's investment must be presented to Chicago Pacific and the relevant Fund's General Partner in writing and agreed to by all

applicable parties. To date, investors have not limited Chicago Pacific's or a Fund's discretionary authority to provide investment advice.

## **Item 17 – Voting Client Securities**

### *The Equity Funds*

By virtue of the Governing Documents, Chicago Pacific has the authority to vote proxy statements on behalf of the Funds. However, given the nature of Chicago Pacific's advisory business, the Funds seldom hold public securities; the majority of "proxies" received by the Firm are written shareholder consents or similar instruments for private companies owned by the Funds. Specifically, from time to time, portfolio companies request Chicago Pacific (usually through the General Partner of the applicable Fund) to consent to certain issues pertaining to the portfolio company's business and requiring equity owner approval. In these cases, Chicago Pacific considers factors that could affect the value of the investment and will act in the manner that it believes maximizes the value of its long-term investment in portfolio companies.

Chicago Pacific has adopted proxy voting policies and procedures pursuant to Advisers Act Rule 206(4)-6. Chicago Pacific's proxy voting policy seeks to ensure that the Firm vote proxies in the best interest of the Funds with a goal towards maximizing overall value. Pursuant to its policy, Chicago Pacific will generally vote in accordance with management's recommendations unless Chicago Pacific determines that voting in such a manner is in conflict with the best interests of the Fund's investors. Chicago Pacific generally believes its interests are aligned with those of its Funds' investors through the principals' beneficial ownership interests in the Funds. In the event that there is a conflict of interest in voting proxies, Chicago Pacific's proxy voting policy provides that the Firm can address the conflict using several alternatives, including by seeking the approval or concurrence of an advisory board on the proposed proxy vote, or through other alternatives as set forth in Chicago Pacific's proxy voting policy. Investors in the Funds cannot direct how Chicago Pacific votes proxies or shareholder consents, nor is Chicago Pacific required to seek investor approval or direction when voting proxies or when giving consent on any matter requiring the consent of shareholders.

Firm principals and affiliated or unaffiliated third parties appointed by Chicago Pacific often sit on the boards of portfolio companies to which Chicago Pacific provides operational, management and consulting services and, as such, exercise authority with respect to various issues faced by the portfolio companies. Chicago Pacific does not consider service on portfolio company boards by the aforementioned persons or their receipt of nominal board fees, if any, to create a material conflict of interest in voting proxies with respect to such companies.

For more information regarding Chicago Pacific's proxy policy or information regarding how Chicago Pacific voted proxies, if any, please contact Mike Wilson, Chicago Pacific's Chief Compliance Officer, at (312) 273-4769.



### *The Real Estate Funds*

The Real Estate Funds invest in equity and debt instruments in real estate related assets which do not issue proxies. Accordingly, Chicago Pacific does not have an opportunity to vote proxies on behalf of the Real Estate Funds and does not currently exercise voting authority on behalf of its Real Estate Funds.

### **Item 18 – Financial Information**

Chicago Pacific does not require or solicit prepayment of more than \$1,200 in fees per Fund, six months or more in advance; has no financial condition reasonably likely to impair its ability to meet contractual commitments to Funds or investors; and has not been the subject of a bankruptcy proceeding.