

FIRM BROCHURE

NexPhase Capital, LP

March 28, 2024

This investment adviser brochure (“Brochure”) provides information about the qualifications and business practices of NexPhase Capital, LP (collectively with its advisory affiliates, “NPC”).

If you have any questions about the contents of this Brochure, please contact us at (212) 878-6000 or e-mail: agoldfarb@nexphase.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. NPC is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”); however, such registration with the SEC does not imply a certain level of skill or training.

Additional information about NexPhase Capital, LP is also available on the SEC’s website at www.adviserinfo.sec.gov.

**NexPhase Capital, LP
600 Lexington Avenue, 12th Floor
New York, NY 10022 Phone: (212) 878-6000
<http://www.nexphase.com>**

Item 2. Material Changes

NPC filed its most recent Brochure on March 30, 2023. This annual amendment updates the descriptions of certain of the operations, terms and business practices of NPC and the NexPhase Funds (as defined herein).

Item 3. Table of Contents

Item 2.	Material Changes	2
Item 3.	Table of Contents	3
Item 4.	Advisory Business	4
Item 5.	Fees and Compensation	6
Item 6.	Performance-Based Fees and Side-by-Side Management	16
Item 7.	Types of Clients	17
Item 8.	Methods of Analysis, Investment Strategies and Risk of Loss.....	17
Item 9.	Disciplinary Information.....	37
Item 10.	Other Financial Industry Activities and Affiliations	37
Item 11.	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	39
Item 12.	Brokerage Practices	55
Item 13.	Review of Accounts	56
Item 14.	Client Referrals and Other Compensation	56
Item 15.	Custody	57
Item 16.	Investment Discretion	57
Item 17.	Voting Client Securities	57
Item 18.	Financial Information.....	59

Item 4. Advisory Business

A. General Description of Advisory Firm

NPC is a New York, New York-based investment advisory firm organized as a limited partnership under the laws of the State of Delaware, founded in 2015, and principally owned by Kurt Larsen and Edward Yun. The investment activities are led by Messrs. Larsen and Yun, who, together with NPC's other partners, comprise the members of NPC's investment committee (the "Investment Committee"). A number of other investment professionals work with the Investment Committee to execute NPC's investment strategy.

NPC provides investment advisory services to investment funds privately offered to qualified investors (generally referred to herein as "investors," "limited partners" or "partners") in the United States and elsewhere, including NexPhase Capital Fund III, LP, NexPhase Capital Fund III-A, LP, NexPhase Capital Fund III-B, LP (collectively, "NPC Fund III"), NexPhase Capital Fund IV, LP, NexPhase Capital Fund IV-A, LP, NexPhase Capital Fund IV-B, LP (collectively, "NPC Fund IV"), NexPhase Capital Fund V, LP, NexPhase Capital Fund V-A, LP and NexPhase Capital Fund V-B, LP (collectively, "NPC Fund V") and any future funds established by NPC (collectively, the "NexPhase Funds" or "Funds," and each individually, a "Fund"), and investment sub-advisory services to certain funds currently managed by Moelis Capital Partners LLC ("MCP") (collectively, the "Moelis Funds"). NPC reserves the right to also establish certain investment vehicles through which certain of its employees, officers, and independent contractors, certain business associates, certain investors in the Funds, executives or personnel of portfolio companies or others (including persons close to NPC) can invest alongside one or more Funds in one or more investment opportunities. Such vehicles, referred to herein as "co-investment vehicles," generally are contractually required, as a condition of investment, to purchase and exit their investments in each investment opportunity at substantially the same time, and on substantially the same terms, as the applicable Fund that is invested in that investment opportunity.

The general partner of each NexPhase Fund (each a "NPC GP," and collectively with any future affiliated general partner entities, the "NPC GPs") is subject to the Advisers Act pursuant to NexPhase Capital, LP's registration in accordance with SEC guidance. This Brochure also describes the business practices of the NPC GPs, which operate as a single advisory business together with NexPhase Capital, LP.

NPC's business generally focuses on advising its clients in making private equity investments of between \$25 to \$150 million in middle market companies primarily in North America.

As used in this Brochure:

- "we," "us" and "our" refer to NPC and its investment advisory business;
- "NexPhase Clients," "NPC Clients" and "our clients" refer to the NexPhase Funds, and the sub-advised Moelis Funds;
- Unless otherwise indicated herein, the "general partners" refer to the respective general partners of the NexPhase Clients; and

- the “portfolio companies” refer to the portfolio companies invested in by the NexPhase Clients.

B. Description of Advisory Services

We provide investment advice regarding the selection, monitoring and realization of each NexPhase Client’s investments. Generally, we provide assistance to the NexPhase Clients’ general partners with respect to strategic planning, identifying potential investments, screening and referring potential investments to NexPhase Clients, recommending strategies for exit from investments, executing the investments, monitoring the performance of investments, providing economic and investment analysis with respect to investments, and preparing valuations and reports in accordance with the relevant NexPhase Client’s Governing Documents (as defined below). We work with the portfolio companies directly and provide managerial, advisory, and administrative assistance to the portfolio companies under the direction of the NexPhase Clients’ general partners.

In addition to the full-time investment professionals of NPC, the NexPhase Clients engage the services of certain operating partners to work actively with NPC on sourcing and evaluating new transactions, as well as providing strategic insights related to portfolio company matters. While these advisers are generally referred to as “Operating Partners,” they are not partners or employees of NPC or any of its affiliates, but rather independent consultants engaged by NPC. The compensation of such individuals, including, but not limited to, transaction fees and other items detailed herein, for their provision of services to (or with respect to) certain portfolio companies is generally treated as an expense of the relevant NexPhase Client(s), and such compensation generally will not result in any reduction or additional offsets to any management fees payable by investors in the NexPhase Clients.

We also work with an independent executive advisory board (the “Executive Advisory Board”) consisting of senior operating professionals with relevant industry and c-suite operating expertise who advise NPC on trends and challenges within its targeted industries, help identify attractive investment opportunities, facilitate introductions to companies and managers, provide critical insight during due diligence and join portfolio company boards when appropriate. The compensation of members of the Executive Advisory Board, including, but not limited to, transaction fees and other items detailed herein, for their provision of services to (or with respect to) certain portfolio companies is generally treated as an expense of the relevant NexPhase Client(s), and such compensation generally will not result in any reduction or additional offsets to any management fees payable by investors in the NexPhase Clients.

The relationship between us, each NexPhase Fund and each of the other NexPhase Clients is governed by the Advisers Act as well as the Governing Documents of each NexPhase Client and the terms of investment advisory or sub-advisory agreements concluded between us and each (or with respect to each) NexPhase Client. Investments in the NexPhase Funds are privately offered only to qualified investors, which typically include institutional investors (for example, public and private pension funds) and eligible high-net worth individuals.

The NexPhase Funds primarily participate in private equity and equity-related investments in companies operating in the middle-market with EBITDA typically up to \$30 million (although the

ranges could be lesser or greater), including, for example, leveraged or management buyouts, recapitalizations, and minority equity investments.

The investment advice we provide to our clients is limited to private equity investment programs conducted by the NexPhase Funds, and other private equity investment programs for which we provide sub-advisory services, such as the Moelis Funds.

C. Availability of Tailored Services for Individual Clients

Our advisory services are tailored to the investment strategies of the NexPhase Clients and detailed in the relevant NexPhase Client's Governing Documents. Investment restrictions are imposed in the relevant Governing Documents for each of the NexPhase Clients and have in the past been and may in the future be specifically negotiated with investors. Investors in each NexPhase Client participate in the overall investment program for the applicable NexPhase Client, but are permitted in certain circumstances be excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the relevant Governing Documents.

D. Client Assets Under Management

As of December 31, 2023, NPC managed approximately \$2,273,436,414 of assets on a discretionary basis on behalf of the NexPhase Clients.

Item 5. Fees and Compensation

A. Advisory Fees and Compensation

Management fees, performance fees and other fees we earn can be negotiated. The fees we charge are described in detail in the relevant private placement memoranda or other offering documents, limited partnership agreement (or analogous organizational document) of each NexPhase Client, separate investment and advisory, investment management or portfolio management agreements, or side letters with investors in the NexPhase Clients (collectively, the "Governing Documents"). Generally, until a date specified in the Governing Documents (the "Stepdown Date"), we charge between a 1.5 and 2 percent management fee annually on aggregate capital commitments ("Commitments"). Effective as of the Stepdown Date, management fees generally will be charged and calculated based on a formula tied to the amount of investment contributions made (or payable pursuant to outstanding capital calls for certain Fund indebtedness) by the relevant Fund relating to the Fund's aggregate investment(s) in portfolio companies that have not been disposed of or permanently written down (such investments, "Impaired Value Investments").

As is generally the case in private equity funds, the Governing Documents provide that a Fund's management fees will be calculated and charged on a basis that generally is not tied to the Fund's then-current net asset value. Under the Governing Documents, where the fair market value of a Fund's aggregate investment in a portfolio company exceeds the total amount of investment contributions relating to such portfolio company, post-Stepdown Date management fees will not be calculated based upon such appreciated value, and will instead continue to be calculated based on the amount of such investment contributions. Conversely, the Governing Documents do not require management fees to be reduced or refunded following the occurrence of a writedown, decrease (including a significant decrease) in fair value or other event not constituting a complete

realization, such as a reorganization, roll-over investment in connection with a sale or dividend distribution, except in the case of aggregate investments in a portfolio company meeting the relevant Impaired Value Investment standard under the Governing Documents. For the avoidance of doubt, following the Stepdown Date, if the fair market value of an Impaired Value Investment is less than the total amount of investment contributions relating to such Impaired Value Investment, then the amount of management fees otherwise payable relating to such Impaired Value Investment will be reduced solely based on the ratio of the fair value of each relevant remaining aggregate investment in a portfolio company as compared against the amount of total investment contributions relating to such portfolio company as of the date of the relevant event.

As a result, and as is generally the case for private equity funds, the amount of management fees generally will not correspond with fluctuations in the net asset value of individual investments, aggregate investments in a portfolio company or of a Fund, including following the relevant investment period, and will not be reduced in connection with any write downs, except in the case of Impaired Value Investments. 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 (e.g., those resulting from dividend recapitalizations) or reorganizations, restructurings, roll-over investments, extraordinary dividends or similar transactions, in each case in circumstances that do not result in the complete disposition of the relevant Fund's interest therein, and even in cases where the value of the Fund's aggregate investment or the Fund's ownership percentage in such portfolio company has been reduced (including substantially reduced) as a result of such transaction.

In many circumstances, the post-Stepdown Date management fee base will include capitalized transaction-specific expenses of unrealized investments. Further, 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.

The Governing Documents set forth the full list of terms under which management fees will be reduced, offset or otherwise be limited, and consequently investors should expect to bear the full specified management fee rate in the Governing Documents until they are reduced in the circumstances and on the date(s) specified therein.

"Carried interest" (*i.e.*, performance-based compensation) is generally assessed periodically according to the Governing Documents of the relevant NexPhase Fund, and in the discretion of the general partner of the applicable NexPhase Fund. These fees are typically paid out of cash otherwise distributable to investors, such as the use of proceeds from a portfolio company by NexPhase Funds.

Please refer to the relevant NexPhase Fund or Moelis Fund Governing Documents for a complete description of our fees and charges for each specific investment.

B. Collection of Fees

The management fee is calculated as a percentage of committed capital during the investment period and invested capital thereafter, in each case, in accordance with the relevant Governing Documents. Management fees are paid by NexPhase Clients quarterly in advance on behalf of the

limited partners by (i) requiring limited partners to make capital contributions in respect of such fees, or (ii) withholding the amount of such fees from investment proceeds that would otherwise be distributable to the limited partners of the NexPhase Clients. As a general matter, management fees will be payable during term extensions unless otherwise agreed with investors in the relevant NexPhase Client. Limited partners are generally not permitted to withdraw from the Funds as outlined in the Governing Documents. In the event of a “non-voluntary withdrawal,” we will refund all pre-paid fees that have not been earned.

NexPhase Funds generally are assessed a carried interest or performance fee that is paid to the relevant NPC GP. The carried interest is assessed periodically according to each Fund’s Governing Documents, typically after the receipt by the Fund of proceeds from a portfolio company, and is paid out of cash otherwise distributable to investors. See Item 6 for additional information on carried interest.

We reserve the right to waive or reduce management fees and/or carried interest for certain investors, including employees, our affiliates, advisors and consultants, “friends and family” of NPC or its personnel and other investors meeting certain qualification requirements based on commitment size or other strategic or relationship factors, as will be determined in our sole discretion.

C. Other Fees and Expenses

Other fees are borne by the NexPhase Funds and paid to us or to a NPC GP or affiliates. These fees include finders, break-up or topping, monitoring, advisory, transactional, directors’, organizational, set-up, investment banking, underwriting, syndication and similar fees. These fees can be substantial and, as and to the extent provided in the relevant Governing Documents, are applied to reduce the applicable NexPhase Fund’s management fee. To the extent such fees are paid in kind (including through securities, option grants or other interests), NPC is permitted to calculate the amount of offset based on the then-current value of the in-kind payment, rather than the ultimate value of the interests as of a future date. Such fees will be offset only to the extent they are paid during the holding period of the relevant Fund, and investors generally will not receive the benefit of such fees paid prior to the Fund’s acquisition, or following the Fund’s disposition, of the relevant investment. Similarly, to the extent a former NPC employee becomes a consultant to, or employed by, a portfolio company, no compensation earned by such former employee will offset the management fee, whether or not such former employee has a remaining interest in the relevant Fund’s general partner or affiliated entity. Conversely, in the event that NPC employs a person that previously received compensation from a portfolio company, limited partners will receive the benefit of any applicable offset only beginning as of the relevant start date of the person’s employment with NPC, and not with respect to any compensation paid prior to such date, including equity grants made prior to the date of employment that vest thereafter. In certain circumstances, NPC expects that co-investors, lenders, consultants or other parties will negotiate the right to share a portion of such fees from a particular investment, and the above-described reduction will be applied after excluding any amounts paid to such persons. These potential fee arrangements are disclosed in relevant Governing Documents for each NexPhase Client. In general, the management fee reductions described above apply only with respect to the capital commitments of fee-paying investors.

Additionally, portfolio companies typically will reimburse NPC for approved expenses incurred by NPC in connection with its performance of services for such portfolio company, and such reimbursements are not applied to reduce or offset any management fee. In most circumstances, such compensation is not reviewed by an independent third party.

NPC contracts with Operating Partners and Executive Advisory Board members and generally will negotiate to pay them a set retainer and/or consulting fee which is generally treated as an expense of the relevant NexPhase Client(s) or portfolio company, as applicable, without any reduction or additional offset to any management fee. Operating Partners and Executive Advisory Board members also will receive additional compensation, including, but not limited to, cash fees, retainers (as described above), discretionary bonuses (whether or not based on pre-determined milestones) transaction fees, a profits, participation or equity interest in a portfolio company or holding company, incentive equity and stock awards, profits or equity interests in one or more NexPhase Funds or NPC GPs, remuneration from NPC and/or the Funds or affiliates, guaranteed minimums or other compensation, the amount of which is typically determined according to one or more methods, including the value of time (including an allocation for overhead and other fixed costs) of such Operating Partners or Executive Advisory Board members, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts believed to be charged by other providers for comparable services and/or a percentage of cash flows of profits from such portfolio company. Compensation in the form of profits or equity interests in a portfolio company or intermediate holding company generally has a dilutive impact on the relevant Fund's investment, and has the potential to result in economic effects greater than the original amount of compensation, and the relevant Fund typically will bear the costs of all Operating Partner and/or Executive Advisory Board member compensation as well as fees, costs and expenses of structuring Operating Partner and/or Executive Advisory Board member arrangements. Furthermore, in the course of the performance of their services, Operating Partners and Executive Advisory Board members can contract directly with a portfolio company to provide additional consulting services, including joining the board of directors. No such compensation or expenses of the Operating Partners and Executive Advisory Board members will offset or reduce any management fees payable by investors in the NexPhase Clients.

Each NexPhase Fund must reimburse us and/or our affiliates for customary organizational and operating expenses, as the Governing Documents of each Fund more fully describe. As set forth more fully in the relevant Governing Documents, in addition, each NexPhase Fund will bear all fees, costs, liabilities, obligations and expenses relating to its (or its subsidiaries' or intermediate entities') activities, investments and business to the extent not borne or reimbursed by a portfolio company or potential portfolio company, including, without limitation, all fees, costs, expenses, liabilities, and obligations relating or attributable to:

- activities with respect to the origination, identifying and sourcing of investment opportunities for a Fund, including pre-investment identification costs such as attending, traveling to and sponsoring industry conferences and events, buy-side and sell-side finders' fees and other similar deal sourcing payments, meeting with consultants, finders, broker-dealers, investment banks and other sources of investments and developing and maintaining an investment pipeline;

- activities with respect to the pursuing, structuring, organizing, negotiating, consummating, financing, refinancing, diligencing (including any subscriptions to any periodicals, databases and/or research services), acquiring, bidding on, owning, managing, monitoring, operating, holding, hedging, restructuring, trading, taking public or private, selling, valuing, winding up, liquidating, dissolving or otherwise disposing of, as applicable, actual and potential investments (including follow-on investments) or seeking to do any of the foregoing (including any associated legal, financing, commitment, transaction or other fees and expenses payable to attorneys, accountants, tax professionals, investment bankers, lenders, expert networks, third-party diligence and deal sourcing software and service providers, consultants and similar professionals in connection therewith, closing dinners, social and entertainment costs, after-hours meals and transportation, and any fees and expenses related to transactions that may have been offered to co-investors), whether or not any contemplated transaction or project is consummated and whether or not such activities are successful (subject to the limitations set forth in the Governing Documents);
- indebtedness of, or guarantees made by, or activities in connection with seeking to put in place any such indebtedness of, or guarantees by, a Fund, its general partner, NPC or any of their affiliates on behalf of such Fund (including any credit facility, letter of credit or similar credit support), including repayment of principal and interest with respect thereto, or seeking to put in place any such indebtedness or guarantee;
- financing, commitment, origination and similar fees and expenses;
- broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, private placement fees, sales commissions, investment banker, finder (including, but not limited to, any retainer fees and/or consulting fees paid to potential Operating Partners, Executive Advisory Board members and other portfolio company executives) and similar services;
- brokerage, sale, custodial, depository, local paying agent, trustee, record keeping, account registered office and similar services (including any depository appointed pursuant to Directive 2011/61/EU of the European Parliament and of the Council dated June 8, 2011 on Alternative Investment Fund Managers, together with Commission Delegated Regulation (EU) No 231/2013 supplementing Directive 2011/61/EU (“AIFMD”) or any law, rule or regulation relating to the implementation thereof in any relevant jurisdiction), and any Swiss representative or paying agent (appointed pursuant to the Swiss Collective Investment Schemes Act, as amended, including any law, rule or regulation relating to the implementation thereof);
- reverse breakup, topping, termination and other similar fees or arrangements, which are permitted to include a co-investor’s or potential co-investor’s share of such costs;
- filing, title, transfer, survey, registration and other similar fees and expenses;
- printing, communications, mailing, courier, marketing and publicity;

- the preparation, distribution or filing of a Fund’s financial statements or other reports, tax returns, tax estimates, K-1’s or similar forms and other communications with investors, any other administrative, compliance or regulatory filings or reports (including Form PF, any filings required under the Corporate Transparency Act and Bureau of Economic Analysis Reports) or other information, including fees, costs and expenses of any third-party service providers and professionals related to the foregoing;
- expenses associated with the reporting, filings or other ongoing compliance requirements contemplated by the AIFMD, or any similar law, rule or regulation and including any secondary legislation, regulations, rules and/or associated guidance, and any related requirements;
- compliance with any tax or financial account reporting regime, including the “Foreign Account Tax Compliance Act” or “FATCA”, the OECD Standard for Automatic Exchange of Financial Account Information Common Reporting Standard and any similar laws, rules and regulations, including any fees, costs and expenses of any third-party service providers and professionals related to the foregoing;
- developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software (including accounting, investor reporting, ledger systems, financial management and cybersecurity) or other administrative, valuation, information gathering or reporting tools (including subscription-based services);
- any activities with respect to protecting the confidential or non-public nature of any information or data, including Confidential Information (including costs and expenses incurred in connection with the Data Protection Directive (95/46/EC), the UK Data Protection Act 2018, the Privacy and Electronic Communications (EC Directive) Regulations 2003, the General Data Protection Regulation (EU 2016/679), and Freedom of Information Act);
- to the extent provided in the Governing Documents or otherwise approved by the Fund’s general partner, activities or proceedings of a Fund’s advisory committee (including any costs and expenses incurred by representatives of the relevant general partner, the advisory committee members, permitted observers and other persons in attending or otherwise participating in meetings of the advisory committee);
- indemnification obligations (including legal and any other fees, costs and expenses incurred in connection with indemnifying any limited partner or other 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 that may be subject to a right of indemnification pursuant to the Governing Documents;
- 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;

- any annual, periodic or special limited partner meeting, any other conference, meeting or webcast or other video conference with any limited partner(s) and any periodic executive forum of portfolio company management and other persons (in each case, including any costs associated with venue, set-up, room and board, dining, entertainment, gifts and mementos, honorarium, events or speakers and other meeting or conference-related costs);
- the Fund's management fees;
- legal, accounting, research, auditing, technology, administration (including fees and expenses associated with compliance with any anti-money laundering laws and regulations and any third-party administrator and administration, tracking or reporting software, if any), information, appraisal, advisory, valuation (including third-party valuations, fairness opinions, appraisals or pricing services as well as costs related to the establishment or maintenance of such other services), consulting (including expenses relating to hiring consultants (*e.g.*, headhunter fees, background checks or relocation expenses), consulting, retainer and other fees, incentive equity, stock awards, salary and other compensation paid to, and benefits or personnel costs provided to or on behalf of the Operating Partners, Executive Advisory Board members, consultants performing investment initiatives, due diligence and/or finding or evaluating potential investments or attractive market segments or providing services related to environmental, social and governance investment considerations and policies and other consultants), tax and other professional services, including costs related to the establishment or maintenance of any such activities or services;
- any taxes, fees and other governmental charges levied against a Fund and/or any alternative investment vehicle and all expenses incurred in connection with any tax audit, inquiry, investigation settlement or review of a Fund and/or any alternative investment vehicle (subject to the limitations set forth in the Governing Documents) and any costs and expenses of or related to the "partnership representative";
- insurance (including directors and officers liability, fidelity bond, management liability, cybersecurity, errors and omissions liability, crime coverage and general partnership liability premiums and other insurance and regulatory expenses, including any costs and expenses related to any retention or deductibles and broker fees, costs and commissions) and regulatory and litigation expenses (and damages), including insurance and certain regulatory expenses of NPC, a Fund's general partner, and other affiliated entities (as defined in the relevant Fund's Governing Documents), and any consultants or other advisors utilized in the procurement, review, maintenance and analysis of insurance policies;
- the termination, winding up, dissolution or liquidation of a Fund and any legal entities owned directly or indirectly by a Fund, including portfolio companies and related entities;
- defaults by investors in the payment of any capital contributions;

- attendance of any member, manager, shareholder, partner, director, officer, employee or affiliates of a general partner or NPC or any of their respective affiliates at any business-related conferences (including any applicable registration fees and exhibition, reasonable business-related sponsorship costs and expenses, other presentation fees, costs and expenses, related travel, lodging or meals);
- compliance with any law, rule, regulation, policy, directive or special measure (including in relation to privacy, data protection, know-your-customer, anti-money laundering, anti-corruption, sanctions, anti-terrorism or environmental, social or governance considerations), including any legal, administrator, consulting or other third-party service provider fees, costs and expenses related thereto and any regulatory expenses of a Fund's general partner or any of its affiliates incurred in connection with the operation of such Fund and any costs related to compliance with any environmental, social or governance or other investment considerations and policies applicable to such Fund, its general partner and/or any of their respective affiliates and/or the validation or other confirmation of any payments made to the Fund or the NPC GP (including as a result of any anti-money laundering laws, rules or regulations);
- any litigation or governmental inquiry, investigation or proceeding, including any costs and expenses of discovery related thereto and the amount of any judgments, settlements or fines paid in connection therewith (subject to the limitations set forth in the Governing Documents);
- any consultants, experts or advisors engaged, including independent appraisers, engaged by a Fund's general partner in connection with a Fund considering, making, holding or disposing of, directly or indirectly, an investment in the same entity as one or more investment vehicles (other than such Fund) managed or controlled by such general partner or any of its affiliates;
- unreimbursed costs and expenses incurred in connection with any transfer, or proposed transfer, of a limited partner's interest in a Fund or any limited partner's name change, internal restructuring or change in trust, registered agent or custodian;
- amendments to, and waivers, consents or approvals pursuant to, the Governing Documents of a NexPhase Fund and related entities, including NPC and such Fund's general partner and any alternative investment vehicle (including the preparation, distribution and implementation thereof) and any entities owned directly or indirectly by the Fund (including portfolio companies);
- except as set forth in the Governing Documents, any fees, costs, expenses, liabilities or obligations relating to any alternative investment vehicle or its activities, business, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company of such alternative investment vehicles) that would be a Fund expense or organizational expense if it were incurred in connection with a Fund, any expenses incurred in connection with the formation, management, operation, termination, winding up and dissolution of any feeder vehicles related to the Fund and any other costs and expenses related to any structuring or restructuring of a Fund and/or

its affiliated entities to the extent permitted under the relevant Fund's Governing Documents;

- unreimbursed expenses and unpaid fees of the Executive Advisory Board, Operating Partners, employees or other persons engaged by the Executive Advisory Board or Operating Partners;
- compliance and regulatory matters (subject to the limitations set forth in the Governing Documents);
- distributions to limited partners and other expenses associated with the acquisition, holding and disposition of a Fund's investments, including extraordinary expenses;
- any travel (including, subject to the limitations set forth in the Governing Documents, the cost of using or chartering private aircraft or other private air travel at a cost not to exceed the cost of corresponding first class commercial airfare, other air travel, car or ride sharing services and other modes of transportation, lodging, meals and entertainment) and other meals and entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities;
- the costs of hosting or attending training programs, meetings or other events for portfolio companies, their executives and/or their personnel;
- any of the items above relating to any investment, restructuring, taking public or private, disposition, transaction, project or other opportunity not consummated or otherwise not successful and/or that may have been offered to co-investors (including co-investors' proportionate share of any expenses related to an investment or other opportunity not consummated);
- any organizational expenses of a Fund, its general partner or any affiliated investment vehicles;
- 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 such Fund and/or any affiliated investment vehicles (subject to the limitations set forth in the Governing Documents); and
- any other fees, costs, expenses, liabilities or obligations approved by a Fund's advisory committee.

Except where the relevant Governing Documents or side letter(s) expressly provide to the contrary, broken deal expenses and other expenses relating to the diligence or evaluation of a prospective investment generally are allocated among investors within a Fund regardless of whether any individual investor negotiated for an elective or automatic contractual right that would have excused them from participating in such investment. The Funds also bear expenses indirectly to the extent a portfolio company (or intermediate entity) pays expenses, including expenses of NPC

and/or its affiliates; the relative percentage of these expenses that are borne by various stakeholders (including the relevant Fund, any co-investors, portfolio company management and other persons) is expected to depend upon the level at which such expenses are charged or incurred. Generally included in the expenses permitted to be borne by a Fund are the fees, costs, expenses, liabilities and obligations of legal counsel, consultants and/or other service providers to procure, develop, establish, review, revise, customize, upgrade and/or negotiate relationships relating to the foregoing items, which generally are expected to be significant. Excluded from Fund expenses are ordinary administrative and overhead expenses of the general partners incurred in connection with maintaining and operating their respective offices (including salaries, rent and equipment expenses) to the extent not reimbursed by a portfolio company. In certain cases, these or similar expenses are expected to be charged to portfolio companies, capitalized into the cost basis of a transaction or, to the extent necessary or desirable for operational, administrative, tax or other reasons, charged at the level of an intermediate holding company between the relevant Fund and the portfolio company. The NPC GP's reserve the right to agree with Operating Partners, Executive Advisory Board members, joint venture or similar partners, service providers, portfolio company management or other persons that all or a portion of certain expense reimbursements, payments or other amounts owed to such persons relating to one or more investments will be paid in the form of a profits, participation or equity interest granted in the relevant investments or related intermediate entities. While such an arrangement is more favorable to the relevant Fund in that it does not involve an initial cash outlay for the payment of expenses, and could be further favorable to the relevant Fund if the investment does not increase in value, in the event of appreciation in the relevant investment any such profits, participation or equity interest generally would have a dilutive impact on the Fund's investment, as well as the potential to result in economic gains to the recipient greater than the original compensation, which in either case could be substantial. Each Fund also generally will bear the costs of implementing, reporting (as applicable), monitoring and complying with investment guidelines and directives relating to such Fund's strategy, including in side letters relating thereto, and (where applicable) environmental, social, governance and other standards to which the relevant NPC GP has committed in making investments on behalf of such Fund. Additionally, subject to the Governing Documents, a Fund typically will bear certain unreimbursed expenses of portfolio companies and intermediate holding vehicles through which such Fund invests.

In cases where co-investors participate in an investment, such co-investors generally will bear their *pro rata* share of any fees or expenses associated with such investment. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction or would otherwise be beneficial, in the judgment of the relevant NPC GP, ultimately is not consummated, all broken deal expenses relating to such proposed transaction will be borne by the relevant NexPhase Fund(s), and not by any potential co-investors, that were to have participated in such transaction. To the extent that such co-investors have already executed definitive documentation to invest such transaction, such co-investor is expected to bear its *pro rata* share of such broken deal expenses where permitted by such vehicle's governing documents. Accordingly, a Fund will, in most cases, only benefit from the management fee reduction described above with respect to its allocable portion of any such fee or expenses and not the portion of any fee or expenses related to: (i) general partner or "affiliated partner" commitments; or (ii) any other investor or potential investor (e.g., co-investors) in a portfolio company (which could include co-investment vehicles managed by NPC, service providers, third parties, current or former portfolio company management or

personnel, sellers that have rolled their interest or reinvested proceeds in the portfolio company and/or others), which have the potential to be significant. Such co-investors typically do not pay advisory fees or carried interest to NPC or affiliated entity. To the extent a Fund makes use of a credit facility to invest in a portfolio company or pay related expenses, it generally will not be reimbursed separately by co-investors for the costs of establishing, negotiating or maintaining the facility as a whole.

Our clients will incur brokerage and other transaction costs, and a discussion of our brokerage practices may be found in Item 12 of this Brochure.

D. Refunds for Fees Charged in Advance

Investors in the Funds typically agree to commit a certain amount of capital to a Fund in advance of our performance of any investment advisory functions. Fees assessed against the Funds are paid to us, in advance, from these amounts as described above.

Upon termination of the investment advisory agreement with a NexPhase Fund, we will return to such Fund any paid but unearned portion of the management fee. In general, such fees are prorated from the date of termination to the end of the period to which the advance fee applied.

E. Compensation for Sales of Securities

Neither we nor our supervised persons accept compensation for the sale of securities or other investment products.

Item 6. Performance-Based Fees and Side-by-Side Management

Funds are generally assessed a carried interest or other performance-based compensation that is paid to the Fund's general partner. "Carried interest" is typically measured as a percentage of the profits of a Fund, and is negotiated separately for each Fund. Investors in the NexPhase Funds will be subject to carried interest.

Performance-based compensation arrangements have the potential to create an incentive for us to recommend investments which are riskier than those which would be recommended under a different compensation arrangement, as we capture a set fraction of an investment's upside but do not suffer proportionately the downside of the investment. However, NPC 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.

Additionally, to the extent that NPC has Funds with varying carried interest terms (including amount, timing, waterfall conditions or other terms) and/or NPC personnel are assigned varying percentages of carried interest from the NexPhase Funds, NPC and such personnel are subject to potential conflicts of interest, to the extent they are involved in identifying investment opportunities as appropriate for NexPhase Funds from which they are entitled to receive a higher carried interest percentage. We seek to address these conflicts through careful vetting of investment opportunities by our investment professionals, full disclosure of investments to limited

partners by way of quarterly reports, as well as investment by a number of our investment professionals alongside NexPhase Funds, in an effort to align our interests with such NexPhase Funds.

Performance fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of time, services, or investment opportunities. We have implemented policies and procedures to seek to prevent this potential conflict of interest from influencing the allocation of investment opportunities among or between the NexPhase Clients. Under no circumstances are we permitted to allocate investment opportunities based on anticipated compensation or profits to ourselves or any other affiliates or employees.

For further discussion regarding investment allocation, see Item 11.D.

Item 7. Types of Clients

NexPhase provides investment advice (including sub-advisory services to the Moelis Funds) solely to the NexPhase Clients, and references throughout this Brochure to “clients” and to NPC’s related duties to and practices on behalf of its clients and/or investors should be construed accordingly. The Funds generally include investment partnerships or other investment entities formed under U.S. or non-U.S. laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder (the “Investment Company Act”). The investors participating in the Funds generally include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and often include, directly or indirectly, principals or other personnel of NPC and its affiliates and members of their families, Operating Partners, Executive Advisory Board members or other service providers retained by NPC or a Fund, as well as executives of portfolio companies.

The NPC GPs also generally are permitted to establish Funds that are alternative investment vehicles in order to permit one or more investors to participate in one or more particular investment opportunities in a manner desirable for tax, regulatory or other reasons. Alternative investment vehicle sponsors generally have limited discretion to invest the assets of these vehicles independent of limitations or other procedures set forth in the organizational documents of such vehicles and the Governing Documents of the related NexPhase Client.

We typically impose a minimum investment in connection with participating in a NexPhase Fund, often \$5 million, although this minimum may be waived at our discretion. Interest in the Funds are offered and sold solely to accredited investors that are also qualified clients (or qualified knowledgeable employee NPC personnel).

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

A. Methods of Analysis and Investment Strategies

We seek to closely partner with entrepreneurial owners and/or management teams of portfolio companies to grow their companies.

We engage in a detailed due diligence process for each potential investment, including modeling short and long-term financial scenarios, company assessment, industry analysis, competitive benchmarking, evaluation of company management, risk assessment and transaction size, and pricing and structure analysis. The due diligence effort generally includes our investment professionals as well as Operating Partners and Executive Advisory Board members, legal, tax, insurance and accounting advisors and third-party consultants. In our analysis of potential investments, we primarily use information that a potential portfolio company provides to us as a result of our due diligence review. In certain circumstances we will also employ third-party advisors.

Investments made on behalf of NexPhase Clients involve significant risks, including the risk of losing the entire investment, and investors must be prepared to bear the risk of a total loss of their committed or invested capital. Please see Item 8.B. below for additional risks associated with such investment.

B. Material Risks

There can be no assurance that any investment will meet its investment objectives, or that an investor will receive a return of capital. In many cases, the success of our investment strategy will depend, in part, on our ability to restructure and effect improvements in the operations of the portfolio companies held by NexPhase Clients. Identifying and implementing potential operating improvements involves a high degree of uncertainty, and there can be no assurance that we will be able to successfully identify and implement these improvements. The performance of prior investments made by NexPhase Clients is not indicative of any expected future results. The descriptions contained below are a brief overview of different market risks related to NPC's investment strategy; however, it is not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that can arise in connection with the management and operations of NexPhase Clients.

Uncertain Economic, Social and Political Environment

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

Public Health Emergencies; COVID-19

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

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

Projections

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

Financial Market Fluctuations

General fluctuations in the market prices of securities and economic conditions may reduce the availability of attractive investment opportunities for NexPhase Clients and may affect the ability of NexPhase Clients to make investments and the value of the investments held by NexPhase Clients. Instability in the securities markets and economic conditions generally, may also increase the risks inherent in the investments of NexPhase Clients. The public securities markets have seen periods of increased volatility where the ability of companies to obtain financing for ongoing operations or expansions was severely hampered by the tightening of the credit markets and financial turmoil. There may be repercussions if this market turmoil returns, including the effect of unknown governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) which may have a positive or negative effect on market conditions. There can be no assurance that the market will, at that time, retain its current liquidity and it might be volatile for the foreseeable future. The ability to realize investments depends not only on portfolio companies and their historical results and prospects, but also on political, market and economic conditions at the time of such realizations. In the past, many private equity funds have looked to the public securities markets as a potential exit strategy and there can be no assurance, particularly given the recent period of volatility in the financial markets and a potential lack of investor appetite for new issues in the public securities markets, that NexPhase Clients would be able to exit from their investments in portfolio companies by listing their shares on securities exchanges. The trading market, if any, for the securities of any portfolio company may not be sufficiently liquid to enable a NexPhase Client to sell these securities when NPC believes it is most advantageous to do so, or without adversely affecting the stock price. Continued or renewed volatility in the financial sector may have a material adverse effect on the ability of NexPhase Clients to buy, sell and partially dispose of their portfolio company investments. NexPhase Clients would likely be adversely affected to the extent that they seek to dispose of any of their portfolio companies into an illiquid or volatile market, and a NexPhase Client may find itself unable to dispose of investments at prices that NPC believes reflect the fair value of such investments. The duration and ultimate effect of future market conditions and whether such conditions may worsen cannot be predicted. The ability of portfolio companies to refinance debt securities may depend on their ability to sell new securities in the public high yield debt market or otherwise.

Liquidity Risk

An investment in a NexPhase Fund should be viewed as an illiquid investment. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, we do not generally sell the securities of portfolio companies for a number of years. In many cases these securities are not publicly traded. Consequently, any returns on the investments are paid to investors multiple years after they invest. A variety of factors, including national and international economic conditions, asset conditions, political and regulatory considerations, and public opinion, may impact each NexPhase Client's ability to buy or sell investments on favorable terms, if at all. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating a NexPhase Fund (including the management fee payable to the relevant NPC GP) may exceed its income, thereby requiring that the difference be paid from the NexPhase Fund's capital, including unfunded capital commitments.

Further, interests in the NexPhase Clients have not been registered under the Securities Act of 1933, as amended, or any other applicable securities laws and are not transferable except with the consent of the applicable general partner, which may be withheld by the applicable general partner in its sole discretion. There is no public market for interests of any NexPhase Client, nor is such a market expected to develop in the future. Investors in NexPhase Clients generally are not permitted to withdraw capital at any time. Consequently, investors in NexPhase Clients generally will not be able to liquidate their investments prior to the end of the term of the particular Fund.

Leverage Risk

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

The NexPhase Funds are also permitted to borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt, a letter of credit or other forms of promise to provide funding) or otherwise be liable therefor, and in such situations, it is not expected that the relevant NexPhase Fund would be compensated for providing such guarantee or exposure to such liability. The use of leverage by a NexPhase Fund generally also will result in fees, interest expense and other costs to the NexPhase Fund that may not be covered by distributions made to the NexPhase Fund or appreciation of its investments. While Fund-level borrowings generally will be subject to limitations set forth in the Governing Documents and interim in nature, asset-level leverage generally will not be subject to any limitations, including with respect to the amount of time such

leverage may remain outstanding. The NexPhase Funds generally are permitted to incur leverage on a joint, several, joint and several or cross-collateralized basis with one or more other investment funds and entities managed by NPC or any of its affiliates, including through NexPhase Fund subsidiaries and intermediate entities, and may have a right of contribution, subrogation or reimbursement from or against such entities. It is also possible that certain co-investors (including management, any roll-over investors and/or third-party co-investors) will not share in incurring such leverage and that the relevant NexPhase Fund will disproportionately bear the risk and/or costs of leverage arrangements. In addition, to the extent a NexPhase Fund incurs leverage (or provides such guaranties), such amounts are permitted to be secured by capital commitments made by the relevant NexPhase Fund's investors and such investors' contributions may be required to be made directly to the lenders instead of the NexPhase Fund.

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

Subscription Lines

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

In addition, Fund-level borrowing will result in additional partnership expenses that will be borne by investors. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a subscription line, an upfront fee for establishing a subscription line, and other one-time and recurring fees and/or expenses, as well as legal fees relating to the establishment, structuring and negotiation of the terms of the borrowing facility, as well as expenses relating to maintaining, renegotiating or terminating the facility. Because a subscription line's interest rate is based in part on the creditworthiness of the relevant NexPhase Fund's limited partners and the terms of the Governing Documents, it may be higher than the interest rate a limited partner could obtain individually. To the extent a particular limited partner's cost of capital is lower than the relevant NexPhase Fund's cost of borrowing, fund-level borrowing can negatively impact a limited partner's overall individual financial returns even if it increases the NexPhase Fund's reported net returns in certain methods of calculation. Conflicts of interest have the potential to arise in that the use of Fund-level borrowing typically delays the need for limited partners to make contributions to a Fund, or result in short-term gains to a Fund, which

in certain circumstances enhances the relevant Fund's return calculations and thereby may be deemed to benefit the marketing efforts of the general partner and its affiliates and increases the likelihood that any hurdle or preferred return component in the Fund's carried interest arrangements will be met. A portfolio company financing from a subscription line, rather than from a Fund-level equity commitment, has the potential to increase such returns, particularly in instances where the relevant amount has been drawn for an extended period of time. In other circumstances the use of Fund-level borrowing can increase the base of a Fund's management fee calculation, such as during periods where management fees are based in whole or in part on an acquisition cost that includes a borrowing component. Because management fees are incurred whether an investment is financed through capital calls or borrowings, and a Fund's preferred return typically does not accrue on outstanding borrowings, the relevant NPC GP has an incentive to cause the Fund to make investments and/or pay such amounts using a subscription line rather than making capital calls. The use of Fund-level borrowing arrangements, and the repayment or non-repayment thereof, can also influence the determination of the end of a Fund's investment period, and cause or defer a related change in the basis of the relevant Fund's management fee calculation under the Governing Documents. Conflicts of interest also have the potential to arise to the extent that a subscription line is used to make an investment that is later sold in part to co-investors (including one or more co-investing Funds), as to the extent co-investors are not required to act as guarantors under the relevant facility or pay related costs or expenses, co-investors nevertheless stand to receive the benefit of the use of the subscription line and neither the relevant Fund nor investors generally will be compensated for providing the relevant guarantee(s) or being subject to the related costs, expenses and/or liabilities in their entirety, including co-investors' proportionate share of such amounts, which are expected to be borne exclusively by such Fund.

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

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows the general partners to fund investments and pay partnership expenses without calling capital, potentially for extended periods of time. Calling a large amount of capital at once to repay the then-current amount outstanding under a subscription line could cause short-term liquidity concerns for limited partners that would not arise had the relevant NPC GP called smaller amounts of capital incrementally over time as needed by a NexPhase Fund. This risk would be heightened for a limited partner with commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could

trigger simultaneous capital calls, requiring the limited partner to meet the accumulated, larger capital calls at the same time. The general partners are authorized to use Fund-level borrowing to pay management fees and to reimburse NPC for expenses incurred on behalf of the Funds. A NexPhase Fund is also permitted to utilize Fund-level borrowing when the general partner expects to repay the amount outstanding through means other than limited partner capital, including as a bridge for equity or debt capital with respect to an investment. If the NexPhase Fund ultimately is unable to repay the borrowings through those other means, limited partners would end up with increased exposure to the underlying investment, which could result in greater losses.

If an investment appreciates in value and is disposed of prior to repayment, the relevant Fund generally would apply disposition proceeds to repay the borrowing and related interest and expenses, the absence of invested capital funded by limited partners potentially will result in a distribution of net proceeds without a preferred return accrual on the amount invested. Accordingly, borrowings have the potential to support the distribution of proceeds to limited partners and increase the potential carried interest for the relevant NPC GP, as reduced by the interest incurred by the relevant Fund. Subject to any limitations in the Governing Documents, this scenario potentially incentivizes the relevant NPC GP to permanently fund the acquisition and ongoing capital needs of a Fund's investments and related expenses with the proceeds of such borrowings in lieu of drawing down capital contributions on an as-needed basis, and, accordingly, capital contributions to repay such borrowings may be required only at the time of the disposition of an investment (or never, if principal and interest on such borrowings are always repaid out of disposition proceeds).

Investment- and Intermediate Entity-Level Borrowing

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

Reliance on NPC

Investors will not have the right to participate in the management of the NexPhase Funds or other clients or in decisions made by the general partners or us on their behalf. As a result, investors will have little control over their investments.

Default Risk

If a limited partner of a NexPhase Client fails to pay any portion of its capital commitment when due, and the contributions made by non-defaulting limited partners and borrowings by such Fund are inadequate to cover the defaulted capital contribution, such Fund may be unable to pay its obligations when due, and its ability to execute its investment strategy or to otherwise continue operations may be impaired. As a result, a NexPhase Client may be subjected to significant penalties that could materially and adversely affect the returns to the limited partners (including non-defaulting limited partners). A default by a substantial number of limited partners would limit opportunities for investment diversification and would likely negatively affect such NexPhase Client's economic results. Further, the Governing Documents of the NexPhase Funds provide for significant adverse consequences in the event a limited partner defaults on its capital commitment or any other payment obligation. In addition to losing its right to potential distributions from the relevant NexPhase Fund, the relevant NPC GPs reserve the right to cause a defaulting limited partner to transfer its interest in the relevant NexPhase Fund for an amount that is less than the fair market value of such interest and be paid over a period of up to ten years, without interest.

Competitive Market for Investments

We generally compete for investments with a number of other investors, including, without limitation, investment banks, commercial banks, private equity funds, specialized investment funds, hedge funds, corporate buyers and other financial institutions, some of which have greater financial resources, better brand recognition, more extensive development, marketing and service capabilities and a larger number of qualified managerial and technical personnel. As a result of this intense competition, we face the risk that we will not be able to locate suitable investment opportunities, acquire them for an appropriate level of consideration, or fully invest our committed capital. However, regardless of the extent to which the commitments of the limited partners of a Fund are invested (or drawn down to be invested), the limited partners will be required to bear management fees through such Fund during the investment period based on the entire amount of the limited partners' commitments to such Fund and other expenses as set forth in the Governing Documents.

Dynamic Investment Strategy

While each NPC GP generally intends to seek attractive returns for a Fund through the investment strategy and methods described herein, the relevant NPC GP is permitted to pursue additional investment strategies and/or modify or depart from its initial investment strategy, investment process or investment techniques to the extent it determines such modification or departure to be appropriate and consistent with the Governing Documents. A NPC GP is permitted to pursue investments outside of the industries and sectors in which NPC has previously made investments or has internal operational experience.

Limited Access to Information

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

Relationship with MCP

NPC is a sub-advisor to the Moelis Funds, and maintains a material relationship with various MCP entities; and as such, we are subject to a number of actual and potential conflicts of interest. In seeking to address these conflicts across the various businesses, we implement certain policies and procedures that may reduce the positive synergies that we cultivate across these businesses. For example, we may come into possession of material, non-public information with respect to issuers in which we may be considering making an investment, issuers that are MCP advisory clients as well as in connection with officerships or directorships of NPC personnel. We are prohibited from acting on any material, non-public information and our material relationship with MCP may restrict our ability to invest in certain public companies.

Management Fee Payable Regardless of Performance

NexPhase Clients will pay fees to us and bear significant expenses. These fees and expenses are expected to reduce actual returns to investors. Most of the fees and expenses will be paid to us regardless of whether a NexPhase Client produces positive investment returns.

Concentration Risk

A NexPhase Client will only participate in a limited number of investments (and may seek to make several investments in one industry or one industry segment or within a short period of time) and, as a consequence, a NexPhase Client's investment portfolio could become highly concentrated, and the performance of a few holdings or of a particular industry may substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, the relevant NexPhase Client may invest in fewer portfolio companies and thus be less diversified.

Lack of Control

A NexPhase Client may hold meaningful minority stakes in privately held companies and in some cases may have limited minority protection rights. In addition, during the process of exiting investments, a NexPhase Client at times may 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 that a NexPhase Client may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. Where a NexPhase Client holds a minority stake, it may be more difficult for the NexPhase Client to liquidate its interests than it would be had the NexPhase Client owned a controlling interest in such company. Even if the NexPhase Client has contractual rights to seek liquidity of the NexPhase Client's minority interests in such companies, it may be very difficult to sell such interests or seek a sale of such company upon terms acceptable to the NexPhase Client, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals.

To the extent a NexPhase Client invests alongside third parties, such as institutional co-investors or private equity funds of other sponsors, or makes a minority investment, the relevant portfolio companies may be controlled or influenced by persons who have economic or business interests, investment or operational goals, tax strategies or other considerations that differ from or are inconsistent with those of the NexPhase Clients or their limited partners. Such third parties may be in a position to take action contrary to the NexPhase Client's business, tax or other interests, and the NexPhase Client may not be in a position to limit such contrary actions or otherwise protect the value of its investment. When taking non-control positions, a NexPhase Client generally will seek to negotiate certain negative controls and veto rights on major decisions, but there can be no assurance that a NexPhase Client 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.

Legal Risk

A NexPhase Client may make investments in companies that are experiencing financial difficulties which may never be overcome. These investments could, in certain circumstances, subject NexPhase Clients to certain potential legal liabilities that may exceed the value of a NexPhase Client's original investment in the company. For example, under certain circumstances, a lender who has inappropriately exercised control over the management and policies of a debtor may have its claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments to and distributions by the applicable NexPhase Client may be reclaimed if any such payment or distribution is later determined to have been a "fraudulent conveyance."

Impact of Government Regulation and Reform

Certain industry segments in which a NPC Client may invest are (or may become) (i) highly regulated at both the federal and state levels in the United States and internationally and (ii) subject to frequent regulatory change. While each NPC Client intends to invest in companies that seek to comply with applicable laws and regulations, the laws and regulations relating to certain industries are complex, may be ambiguous or may 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 a NPC Client may invest.

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

Derivatives Transaction Risk

The NPC GPs reserve the right (but are not obligated) to endeavor to manage the relevant Fund's or any portfolio company's currency exposures, interest rate exposures or other exposures using hedging techniques where available and appropriate. The Funds are permitted to incur costs related to such hedging arrangements, which are permitted to be undertaken in exchange-traded or over-the-counter ("OTC") contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used.

In some cases, particularly in OTC contexts, hedging arrangements will subject the relevant Fund to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose a Fund to additional liquidity risks if such contracts cannot be adequately settled.

Certain hedging arrangements may create for a NPC GP and/or one of its affiliates an obligation to register with the U.S. Commodity Futures Trading Commission ("CFTC") or other regulator or comply with an applicable exemption. Losses may result to the extent that the CFTC or other regulator imposes position limits or other regulatory requirements on such hedging arrangements, including under circumstances where the ability of a Fund or a portfolio company to hedge its exposures becomes limited by such requirements.

Foreign Transaction Risk

A NexPhase Client may invest in portfolio companies that are organized, headquartered and/or have substantial sales or operations located outside the United States, its territories and possessions. Investments in such assets involve certain risks not typically associated with an

investment in U.S. securities and instruments, including risks relating to: (i) currency exchange matters, such as fluctuations in the rate of exchange between the U.S. dollar and various non-U.S. currencies in which a NexPhase Client's non-U.S. investments are denominated (including risks associated with potential rapid fluctuation), and costs associated with conversion of investment principal and income from one currency to another; (ii) exposure to fluctuations in interest rates payable with respect to the instruments in which such NexPhase Client invests; (iii) differences in conventions relating to documentation, settlement, corporate action, stakeholder rights and other matters; (iv) differences between the U.S. and non-U.S. securities markets, including potential price volatility in and relative illiquidity of some non-U.S. securities markets; (v) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less or more government supervision and regulation; (vi) certain economic, social and political risks, including potential exchange control regulations and restrictions on non-U.S. investment and repatriation of capital, nationalization of business enterprises, the risk of political, economic, governmental or social instability, including the risk of sovereign defaults, regulatory changes, the possibility of substantial rates of inflation and the possibility of expropriation or confiscatory taxation; (vii) the possible imposition of non-U.S. taxes on income and gains and gross sales or other proceeds recognized with respect to such securities or instruments; (viii) the application of complex U.S. and non-U.S. tax rules to cross-border investments; (ix) possible non-U.S. tax return filing requirements for the relevant NexPhase Client and/or its limited partners; (x) differing and potentially less well-developed or well-tested corporate laws regarding stakeholder rights, creditors' rights (including the rights of secured parties), fiduciary duties and the protection of investors; (xi) differences in the legal and regulatory environment or enhanced legal and regulatory compliance; (xii) political hostility to investments by foreign or private equity investors; and (xiii) less publicly available information.

Valuation Risk

There are no readily ascertainable market prices for many types of illiquid investments which NexPhase Clients may hold. Portfolio valuation is subjective and imprecise and requires the use of techniques that are costly and time consuming. The general partner of each NexPhase Client will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the relevant investment to determine the value of all such NexPhase Client's investments that are not readily marketable. There can be no assurance that the relevant general partner will have all the information necessary to make valuation decisions in respect of these investments, or that any information provided by third parties on which such decisions are based will be correct. The process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities ultimately may be sold. Accordingly, the valuation decisions made by such general partner may cause it to ineffectively manage the relevant NexPhase Client's investment portfolios and risks, and may also affect the diversification and management of such NexPhase Client's portfolio of investments. Additionally, the exercise of discretion in valuation by the relevant general partner will 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-Kind Distributions

Under normal circumstances, prior to the termination of the relevant NexPhase Client, such NexPhase Client intends to make distributions in cash or in marketable securities. However, it is possible that distributions of investments for which there is no readily available public market and/or which may be subject to substantial restrictions on sale or transfer may be made in-kind under certain circumstances (including liquidation of a NexPhase Client). It may be difficult for limited partners to liquidate the investments received at a price or within a time period that is determined thereby to be ideal, and significant administrative burden may be involved. After a distribution of investments is made, the recipients may decide to liquidate such investments within a short period of time, which could have an adverse impact on the price of such investments. Limited partners in receipt of a distributed investment will have no guidance from the relevant NexPhase Client or its general partner with respect to disposition of such investment (including timing of such disposition). The price at which such investments may be sold by such limited partners may be lower than the value of such investments determined pursuant to the Governing Documents, including the value used to determine the amount of carried interest accruing to the general partner with respect to such investment. In addition, the direct holding of certain investments may subject the holder to suit or taxes in jurisdictions in which such investments are located.

Co-Investment Risk

NexPhase Clients are permitted to invest alongside strategic, financial or other third-party co-investors. The ability of a NexPhase Client to achieve certain co-investment objectives assumes that such NexPhase Client will be able to negotiate and execute mutually acceptable terms and conditions in respect thereof. Such investments will involve additional risks which are not present in investments which do not involve a co-investor, including the risk that a co-investor or co-investors may have interests contrary to the investment objective of such NexPhase Client or may default on their obligations.

Taxation Risk

An investor is likely to face complicated tax analyses, and the tax treatment of an investment is subject to potential legislative, judicial or administrative change at all times. The U.S. federal income tax treatment of ownership of an interest in a NexPhase Client depends on determinations of fact and interpretations of complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. U.S. federal income tax rules are periodically reviewed by persons involved in the legislative process, the Internal Revenue Service and the U.S. Treasury Department, frequently resulting in revised interpretations of established concepts, statutory changes, revisions to regulations and other modifications and interpretations. The IRS pays close attention to the proper application of tax laws to partnerships, which is the legal structure of NexPhase Clients. The present U.S. federal income tax treatment of these investment vehicles may be modified by administrative, legislative or judicial interpretation at any time, and any such action may affect investments and commitments previously made.

U.S. Taxation of Carried Interest

U.S. federal income tax law treats certain allocations of capital gains to service providers by partnerships such as the NPC Clients as short-term capital gain (taxed at higher ordinary income rates) unless the partnership has held the asset that generated such gain for more than three years. Additionally, Congress has considered proposed legislation that would treat certain income allocations to service providers by partnerships such as a Fund (including any carried interest) as ordinary income for U.S. federal income tax purposes that under current law are treated as an allocation of the partnership's income (and which may be taxed at lower rates than ordinary income). Such rules, as well as any such legislation that may be enacted in the future, could apply to reduce the after-tax returns of individuals associated with a NPC Client, its NPC GP, or NPC who were or may in the future be granted direct or indirect interests in carried interest, which could make it more difficult for the relevant NPC GP and its affiliates to incentivize, attract and retain individuals to perform services for a NPC Client. This creates potential incentives for NPC to cause a NPC Client to hold investments for a longer period than would be the case if such greater-than-three-year holding period requirement did not exist.

Changes to Benchmark Rates

To the extent that a NPC Client's investments, borrowing facilities, hedging activities, or other assets or structures are tied to interest rates based on benchmark or reference rates, including the London Interbank Offered Rate ("LIBOR"), Secured Overnight Financing Rate (SOFR) or other rates (each, a "Benchmark Rate"), the NPC Client may be subject to certain material risks, including the risk that a Benchmark Rate is terminated, ceases to be published or otherwise ceases to be broadly used by the market. Regulators, central banks, governments and other market participants have transitioned historical instruments and contracts away from LIBOR to new Benchmark Rates. This transition includes the potential to: increase volatility or illiquidity in markets; cause delays in or reductions to financing options for the NPC Clients and their portfolio companies; increase the cost of borrowing; reduce the value of certain instruments or the effectiveness of certain hedges; cause uncertainty under applicable legal documentation; or otherwise impose costs and administrative burdens relating to factors that include document amendments and changes in systems. Future transitions to and from Benchmark Rates have the potential to have similar effects.

Secondaries and other General Partner-Led Transactions

There continues to be a significant market for secondary sales, General Partner-led transactions, continuation funds, successor fund investments and other transactions, and NPC reserves the right to dispose of (or seek additional capital for) Fund investments through such means. Many of these transactions involve an auction process run by an investment bank and a buyer (or buyer group) that agrees to purchase all or a portion of one or more investments that will continue to be managed by NPC following the transaction. Such transactions are permitted to be undertaken for various reasons, including, for example, to balance competing interests between offering liquidity to existing limited partners and maintaining exposure to an asset where NPC believes there is the potential for additional value generation. Where undertaken, existing limited partners typically are offered certain options relating to receiving liquidity from the transaction or continuing to maintain exposure to the asset, assets or a new portfolio of assets (including a portfolio that combines assets

from multiple Funds sponsored by NPC and its affiliates), often on different terms than their original investment in the Fund. However, certain of such transactions are expected to involve: a limited partner investing (or being required to invest) additional capital in the existing Fund and/or other investment vehicles; a greater exposure to one or more particular portfolio companies; and/or a delay in the full liquidation of the Fund's investment. In other circumstances, even limited partners that elect to continue to hold a direct or indirect interest in the relevant portfolio company will have their interest adjusted as if distributed (*i.e.*, a portion of such interest will be allocated to the relevant NPC GP to the extent of its right to receive carried interest, if any), effectively diluting their interests.

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

Financial Institution Risk; Distress Events

An investment in a Fund is subject to the risk that one of the banks, brokers, counterparties, clearinghouses, exchanges, lenders or other custodians (each, a “Financial Institution”) of some or all of the Fund’s (or any portfolio company’s) assets fails to timely perform or otherwise defaults on its obligations or experiences insolvency, closure, seizure, receivership or other financial distress or difficulty (each, a “Distress Event”). Distress Events can be caused by factors including eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance, undercapitalization, market forces or accounting irregularities. If a Financial Institution experiences a Distress Event, NPC, any NPC GP, the Funds and/or any of the portfolio companies may be unable to access deposits, borrowing facilities or other services, either permanently or for an indeterminate period of time. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by organizations such as the Federal Deposit Insurance Corporation, in the case of banks, and the Securities Investor Protection Corporation, in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of total loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose potentially increased risk of loss. While in recent years governmental intervention has often resulted in additional protections for depositors and counterparties in connection with Distress Events, there can be no assurance that any intervention will occur, be successful or avoid the risks of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

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

Many Financial Institutions require, as a condition to using their services (including lending services), that NPC and/or the relevant Fund maintain all or a set amount or percentage of their

respective accounts or assets with the Financial Institution (each, a “Custodian”), which heightens the risks associated with a Distress Event with respect to such Custodians. Although NPC seeks to do business with Custodians that it believes are creditworthy and capable of fulfilling their respective obligations to the Funds, NPC is under no obligation to use a minimum number of Custodians with respect to any Fund, or to maintain account balances at or below the relevant insured amounts.

Regulatory Risk

The U.S. securities laws applicable to us and our operations are constantly under review by persons involved in the legislative process and by the SEC, resulting in revisions of regulations and revised interpretations of established concepts as well as statutory changes. These laws may be modified by legislative, judicial or administrative action at any time. Potential future revisions and interpretations could adversely affect the investors in NexPhase Clients, by, among other things, increasing compliance costs of our operations. Other jurisdictions are similarly reviewing their respective laws, regulations and policies with respect to private investment funds and their investment advisers and any changes may have an adverse effect on investors in NexPhase Clients.

We and our affiliates and personnel are subject to extensive regulation by the SEC and other federal and state agencies, including periodic inspections and examinations. Even if an investigation or proceeding does not result in a sanction against us or our personnel, or if the sanction imposed is small in monetary amount, the adverse publicity attendant to the investigation, proceeding or imposition of sanctions could harm our reputation and have a material adverse impact on our businesses and returns to investors.

In addition, the targeted industries in which NexPhase Clients seek to invest are highly regulated. The adoption of new laws or regulations, or changes in the interpretation of existing laws or regulations, could have a material adverse effect on portfolio companies and thus on the ability of each NexPhase Client to meet its investment objectives. Such changes could necessitate the creation of new business models and the restructuring of investments in order to meet regulatory requirements, which may be costly and/or time-consuming and may adversely affect the performance of such NexPhase Client.

No NexPhase Clients are currently registered, nor do any intend to register in the future, under the Investment Company Act, or similar laws of any U.S. state or non-U.S. jurisdiction, and thus the registration requirements and restrictions of the Investment Company Act will not be applicable to NexPhase Clients. On the other hand, investors in NexPhase Clients will not be afforded the protections of the Investment Company Act.

Anti-money laundering, anti-boycott and economic and trade sanction laws and regulations in the United States and other jurisdictions may prevent NPC or the NexPhase Clients from entering into transactions with certain individuals or jurisdictions. The United States Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) and other governmental bodies administer and enforce laws, regulations and other pronouncements that establish economic and trade sanctions on behalf of the United States. Among other things, these sanctions may prohibit transactions with or the provision of services to, certain individuals or portfolio companies owned or operated by such persons, or located in jurisdictions identified from time to time by OFAC.

Additionally, antitrust laws in the United States and other jurisdictions give broad discretion to the U.S. Federal Trade Commission, the U.S. Department of Justice and other U.S. and non-U.S. regulators and governmental bodies to challenge, impose conditions on or reject certain transactions. In certain circumstances, antitrust restrictions relating to one NexPhase Client's acquisition of a portfolio company may preclude other NexPhase Clients from making an attractive acquisition or require one or more other NexPhase Clients to sell all or a portion of certain portfolio companies owned by them.

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

Sanctioned Investors

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

Cybersecurity Risk

Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject, particularly operating companies in historically vulnerable industries. To the extent that a portfolio company, NPC Client, NPC GP, NPC or one or more of their respective service providers is subject to cyber-attack or other unauthorized access is gained to their systems, substantial losses may occur in the form of stolen, lost or corrupted: (i) data or payment information; (ii) financial information; (iii) software, contact lists or other databases; (iv) proprietary information or trade secrets; or (v) other items. If technology systems are compromised, become inoperable for extended periods of time or cease to function properly, NPC, the NPC Clients and/or portfolio companies may incur significant time or expense to fix or replace them and to seek to remedy the effects of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in NPC's, the NPC GPs', the NPC Clients', portfolio companies' and/or service providers' operations, including the ability to make distributions to limited partners, and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). In certain events, a failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. The use of internet- or cloud-

based programs, technologies and data storage applications generally heightens these risks, and the risks of attack are expected to be heightened in remote work environments. Any of such circumstances could subject a portfolio company, or the relevant NexPhase Client, to substantial losses, including losses relating to: misappropriation of assets, intellectual property or confidential information; corruption, deletion or destruction of data; physical damage and repairs to systems; reputational harm; financial losses from remedial actions; and/or disruption of operations. Third parties, including activists, criminals or nation-state or terrorist actors, may also attempt fraudulently to induce portfolio companies or their personnel to disclose sensitive information (including passwords) in order to gain access to data, accounts, funds or other assets, or otherwise to inflict harm. In addition, in the event that such a cyber-attack or other unauthorized access is directed at NPC or one of its service providers holding its financial or investor data, NPC, its affiliates or the NPC Clients may also be at risk of loss.

In addition, investment advisers, including NPC, must rely in part on digital and network technologies (“cyber networks”) to maintain substantial computerized data about activities for client accounts and otherwise conduct their businesses. Such cyber networks might in some circumstances be subject to a variety of possible cybersecurity incidents or similar events that could potentially result in the inadvertent disclosure of confidential computerized data or client data to unintended parties, or the intentional misappropriation or destruction of data by malicious hackers seeking to compromise sensitive information, corrupt data, or cause operational disruption. Cyber-attacks might potentially be carried out by persons using techniques that could range from efforts to electronically circumvent network security or overwhelm websites to intelligence gathering and social engineering functions aimed at obtaining information necessary to gain access. NPC maintains policies and procedures on information technology security, it has certain technical and physical safeguards intended to protect the confidentiality of its internal data, and takes other reasonable precautions to limit the potential for cybersecurity incidents, and to protect data from inadvertent disclosure or wrongful misappropriation or destruction.

Nevertheless, despite reasonable precautions, the risk remains that cybersecurity incidents could potentially occur, and such incidents, in some circumstances, might result in unauthorized access to sensitive information about NPC or its clients or their investors, and/or cause damage to client accounts or NPC’s activities for clients or their investors. NPC will seek to notify affected clients and investors of any known cybersecurity incident that may pose a substantial risk of exposing confidential personal data about such clients or investors to unintended parties.

Privacy and Data Protection Law Compliance Risk

The adoption, interpretation and application of consumer protection, data protection and/or privacy laws and regulations in the United States, Europe and other jurisdictions (collectively, “Privacy Laws”) could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, destruction, retention and safeguarding of personal data and current and planned business activities of NPC, the general partners, the Funds and/or their portfolio companies, and increase compliance costs and require the dedication of additional time and resources to compliance for such entities. A failure to comply with such Privacy Laws by any such entity or their service providers could result in fines, sanctions or other penalties or litigation, which could materially and adversely affect the results of operations and overall business, as well as have a negative impact on reputation and Fund performance. As Privacy Laws are implemented,

interpreted and applied, compliance costs for the NPC, the general partners, the Funds and/or their portfolio companies, are likely to increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

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

Social Media and Publicity Risk

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

C. Particular Securities

We do not specialize in investments in a particular type of security or industry sector. We do seek to target investments in industry verticals where we have extensive experience and where we believe we have competitive advantages, including consumer, healthcare, software and industrial services.

Item 9. Disciplinary Information

There are no legal or disciplinary matters required to be discussed in this Brochure or that would be material to a client's or investor's or prospective client's or investor's evaluation of our advisory business or the integrity of our management.

Item 10. Other Financial Industry Activities and Affiliations

A. Broker-Dealers

We are not registered, and do not have an application pending to register, as a broker-dealer.

B. Futures and Commodity Trading

Neither we nor any of our 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 types of entities.

C. Material Relationships

The NPC founders and all of our employees were previously employed by MCP or by Moelis Asset Management (“MAM”), which wholly-owns MCP, and is controlled by Kenneth Moelis. Certain transfer and separation agreements were executed by MCP and NexPhase Holdings LLC (“NPH”), whereby ownership of NPH transferred to Messrs. Larsen and Yun on January 1, 2016, at which time, NPH, and by extension, NPC, became an independent company. Subsequent to this separation, certain material relationships between the two firms still remain, which include, but are not limited to, the following:

- NPC maintains a strategic relationship with MAM. The relationship entitles MAM to certain rights related to the first two NexPhase Funds created by NPC, including, economic participation in the carried interest of the Fund(s) (and similar rights for serving as an anchor investor in future Funds). Neither MCP nor any other investor will be involved in the day-to-day operations of NPC nor do they have authority to direct the operations of the Funds.
- Per the terms of a subcontractor agreement between MAM, MCP, NPH, NPC and Messrs. Larsen and Yun, the parties agreed that NPH/NPC will provide investment management, management, administrative and operations services to MCP in respect of the Moelis Funds until the final liquidation of the Moelis Funds.
- MAM agreed to become a limited partner in the first two NexPhase Funds (the “MAM Commitment”), and MAM will have the right, but not the obligation, to invest in subsequent NexPhase Funds. The MAM Commitment will not be charged a carried interest or a management fee.
- MAM received certain fixed payments upon the closing of NPC Fund III and NPC Fund IV. MAM will also receive variable payments based on qualified commitments, and a percentage of carried interest distributions from NPC Fund III and NPC Fund IV.
- NPC will not be entitled to any portion of carried interest from the Moelis Funds.
- NPH has signed an agreement with Moelis & Company LLC (“M&C”), a registered broker-dealer controlled by Moelis & Company, a public company listed on the New York Stock Exchange whose controlling shareholder is Kenneth Moelis. Under the terms of the agreement, NPH/NPC will pay M&C a significant annual retainer (the “Retainer”) during the investment period of the NexPhase Funds as consideration for providing access to its investment bankers for investment ideas and due diligence assistance as well as other financial advisory services. All mergers and acquisitions transaction, advisory or other similar fees paid to M&C by the NexPhase Clients shall be credited in part against the accrued Retainer, subject to the terms of the agreement with M&C. M&C will also have the right to act as a financial co-advisor and/or placement agent to raise capital for the first NexPhase Fund.

We or the NPC GPs will be responsible for all decisions regarding portfolio transactions and will have full discretion over the management of the NexPhase Funds’ investment activities. The NPC

GPs will be subject to the Advisers Act pursuant to NexPhase Capital LP's registration in accordance with SEC guidance, and, accordingly, all of their investment advisory activities are subject to the Advisers Act. The NPC GPs operate as a single advisory business and generally share common owners, officers, partners, personnel, consultants or persons occupying similar positions. Employees, and persons acting on behalf, of the NPC GPs are subject to the supervision and control of NexPhase Capital, LP. Thus, the general partners, all of their respective employees and the persons acting on their behalf are subject to the restrictions of the Advisers Act.

D. Other Investment Advisers

We do not recommend or select other investment advisers for our clients.

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

A. Code of Ethics

We have established a code of ethics (the "Code of Ethics"), which consists of policies and procedures reasonably designed to ensure compliance by us and our personnel with the Advisers Act, and to reflect our fiduciary duties to our clients. To comply with NPC's fiduciary duties, NPC and/or its personnel are not permitted to benefit at the expense of clients. To that end, our personnel must, at a minimum:

- Place the interests of our clients above any personal interests and refrain from taking for their own advantage an opportunity that rightfully belongs to our clients;
- Keep all investment-related information that is non-public information relating to a portfolio company or client confidential;
- Refrain from, directly or indirectly, purchasing or selling any security while NPC or such personnel is in possession of material, non-public information regarding such security, whether or not such information was obtained in the course of employment at NPC in breach of a duty of confidence;
- Refrain from giving or accepting gifts or other benefits where a gift may be regarded as an inducement to the recipient to act contrary to his/her duties to us or our clients;
- Conduct all personal securities transactions in a manner consistent with the Code of Ethics (including pre-clearance of certain transactions and reporting of transactions);
- Refrain from competing directly or indirectly with us or our affiliates or using corporate property, information or position for personal gain;
- Report any violation of the Code of Ethics to our Chief Compliance Officer; and
- Acknowledge the terms of our Code of Ethics annually.

The Code of Ethics also provides guidelines on avoiding potential conflicts of interest that might arise in the management of client investment programs where the MCP broker-dealer or its affiliated broker-dealers may have played a role, among other provisions. Personnel who violate the Code of Ethics may be subject to remedial actions, potentially up to, and including, termination of employment.

Clients, investors and prospective clients and investors may request a copy of our Code of Ethics by contacting Andrew Goldfarb, Chief Compliance Officer, by e-mail at agoldfarb@nexphase.com or by telephone at 212-878-6006.

B. Participation or Interest in Client Transactions

We, our personnel, and/or the applicable NPC GP will make a capital commitment either directly to each NexPhase Fund or indirectly through a co-investment vehicle. The purpose of this commitment is to align our interests with the limited partners of the NexPhase Funds. Generally, investments and disposals are made at substantially the same time and on substantially the same terms and conditions as the relevant NexPhase Fund. Details regarding the commitment for each NexPhase Fund can be found in its Governing Documents.

We provide ongoing portfolio management and investment advisory or sub-advisory services for NexPhase Clients and investment decisions are made by our Investment Committee. The Investment Committee is responsible for monitoring and managing each NexPhase Client's investment portfolio in accordance with its particular investment objectives, limitations and guidelines, and as set forth in its applicable Governing Documents. We also comply with restrictions provided in the applicable Governing Documents relating to principal transactions or other affiliated transactions, in which we or our personnel may have.

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Client cross transactions occur where an adviser executes a securities transaction between two (or more) of its managed client accounts. Cross transactions may benefit clients because they can avoid transaction fees that might otherwise apply had the buy and the sell transaction been exposed to potential market transaction fees.

However, they also can create conflicts of interest by not exposing such buy and sell transactions to market forces, so clients may not receive the benefits of best price, or an adviser might seek to prop up the performance of one fund by selling under-performing assets to another fund in order, for example, to earn higher fees in the aggregate. We do not practice this.

It is our policy not to execute any principal or agency cross securities transactions for client accounts unless our Investment Committee deems the transaction to be in the best interest of a particular client, such client (including, where permitted by the relevant Governing Documents, through such client's limited partner advisory committee or equivalent body) and our Chief Compliance Officer give prior consent, and the transaction complies with SEC requirements.

The general partner of each NexPhase Client expects to receive fees or other payments in respect of investments completed by a NexPhase Client such as deal fees, monitoring fees or transaction fees. Such fees are not dependent on the performance of the investment, and create a conflict of interest between us and the NexPhase Clients. To address this potential conflict, all or a portion of such fees generally offset the management fees paid to us by NexPhase Clients as further described in each client's relevant Governing Documents.

C. Personal Trading

Potential conflicts of interest arise when we or our personnel invest on our own behalf in the same securities that we recommend to clients, or have another interest in a transaction that is, or may be, in conflict with the interest of a client. To seek to address these conflicts, we maintain specified procedures for managing or obtaining client consent for conflicts of interests, including obtaining consent for any conflict from an advisory committee comprised of investor representatives that is given the power to waive such conflicts after disclosure of material information related to the conflict.

Potential conflicts of interest will also arise where our investment professionals have (i) a material interest in a transaction to be entered into with or for a client; (ii) a relationship that gives or may give rise to a conflict of interest in relation to a transaction; or (iii) another interest in a transaction that is, or may be, in conflict with the interest of a client. In addition to the conflict waiver procedures described above, we have established internal procedures to identify and manage such conflicts. Pursuant to our Code of Ethics, each of our personnel is required to submit to our Chief Compliance Officer a report of their securities holdings (which must be updated annually), as well as provide to our Chief Compliance Officer a report of any personal securities transactions on a quarterly basis. In addition to these reports, our personnel have an obligation to report any personal conflict of interest to our Chief Compliance Officer as such conflict becomes known. Our personnel must obtain our Chief Compliance Officer's prior approval before buying or selling any covered security, including, but not limited to, stocks, bonds, puts, calls, options, and partnership or limited liability interests. In addition, our personnel are prohibited from purchasing securities issued in an initial public offering or in a private placement of securities (including an investment in a NexPhase Client or investment vehicle established for qualified professional personnel), without obtaining pre-approval in writing from our Chief Compliance Officer.

To seek to prevent insider trading and other inappropriate forms of personal trading activities, we also maintain "restricted list" procedures. Under these procedures, our Chief Compliance Officer will place any securities of publicly-traded companies for which we can be deemed to possess material, non-public information on a "restricted list." Personnel must report the receipt of any such information to the Chief Compliance Officer or his designee, and are strictly prohibited from trading in securities (including, without limitation, equity, debt or options) on the restricted list for their own account.

D. Other Conflicts

NPC and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for their own account and for the account of other Funds, and providing transaction-related, legal, management and other services to Funds and portfolio

companies. NPC will devote such time, personnel and internal resources as are necessary to conduct the business affairs of the Funds in an appropriate manner, as required by the Governing Documents, although the Funds and their respective investments will place varying levels of demand on these over time. In the ordinary course of NPC conducting its activities, the interests of a Fund likely will conflict with the interests of NPC, one or more other Funds, portfolio companies or their respective affiliates in certain circumstances. Certain of these conflicts of interest are discussed herein. As a general matter, NPC will determine all matters relating to structuring transactions and Fund operations using its reasonable judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the advisory committees of the participating Funds.

In connection with its investment activities, NPC can encounter situations in which it must determine how to allocate investment opportunities among various clients and other persons, which may include, but are not limited to, the following:

- The NexPhase Funds;
- Any vehicles that have been formed to invest side-by-side with one or more NexPhase Funds in all or particular transactions entered into by such NexPhase Fund(s) (the investors in such investment vehicles are permitted to include employees, business associates, executives of portfolio companies and other “friends and family” of NPC or its personnel; individuals and entities that are also investors in one or more NexPhase Funds (“Adviser Investors”); and/or individuals and entities that are not investors in any NexPhase Funds (“Third Parties”));
- Adviser Investors and/or Third Parties that wish to make direct investments (*i.e.*, not through an investment vehicle) side-by-side with one or more NexPhase Funds in particular transactions entered into by such NexPhase Fund(s);
- Adviser Investors and/or Third Parties acting as “co-sponsors” with NPC with respect to a particular transaction; and
- The Moelis Funds.

In recognition of its fiduciary duties, it is the policy of NPC to exercise due care to seek to ensure that investment opportunities and transactions generally are allocated in a manner that it believes is fair and equitable among its clients over time. Except as required by the relevant Governing Documents, NPC is not obligated to recommend any investment to any particular investment vehicle.

The primary allocation principles for each NexPhase Fund are derived from the Governing Documents of such fund. In that regard:

- Parallel Vehicles or “Side-by-Side” Funds. When two or more NexPhase Funds are formed as part of the same investment program for the purpose of making the same investments (“Parallel Vehicles”), investments made by that investment program will

be allocated among the Parallel Vehicles based on their relative capital commitments, subject to all limitations in the Governing Documents for each of the Parallel Vehicles.

- **Predecessor/Successor Funds.** Generally, a new NexPhase Fund will not begin investment activities until its predecessor NexPhase Fund has invested or committed a significant portion of its aggregate capital commitments. As a result, issues related to allocation of investment opportunities may arise when NPC begins investing a successor to an existing NexPhase Fund. In general, the Governing Documents will set forth rules and procedures for the allocation of investment opportunities among such NexPhase Funds.
- **Moelis Funds and NexPhase Funds.** In its role as sub-adviser to the Moelis Funds, NPC will manage existing investments of the Moelis Funds, and may in that capacity, make one more investment or add-on investments from existing capital for the Moelis Funds, but does not expect to be making large additional investments for the Moelis Funds.
- **Co-investment and Qualified Professional Personnel.** To the extent permitted under the Governing Documents, NPC reserves the right to permit qualified personnel and other investors to participate in an investment opportunity alongside the NexPhase Funds. In general, (i) subject to any rights negotiated in any side letter arrangements, no investor in a NexPhase Fund has a right to participate in any co-investment opportunity, (ii) decisions regarding whether and to whom to offer co-investment opportunities are made in the sole discretion of NPC or its related persons, (iii) in the sole discretion of NPC or its related persons, co-investment opportunities are expected to be offered to some and not to other investors in the NexPhase Funds and certain investors are likely to receive multiple opportunities to co-invest while others expressing interest in co-investments have the potential to receive none, and (iv) NPC may contract with (or otherwise offer to) certain persons other than investors in the NexPhase Funds (e.g., Third Parties) to provide such persons with the opportunity to evaluate specified amounts of prospective co-investments in NexPhase Client portfolio companies or otherwise to have priority in co-investment opportunities, in each case in the sole discretion of NPC or its related persons. Although a prospective co-investor's willingness to invest in future NexPhase Funds may be considered by NPC, it generally will not be the sole determining factor considered by NPC in identifying co-investors. Additionally, NPC reserves the right to permit Operating Partners, Executive Advisory Board members, vendors or service providers to co-invest alongside the Funds.

While NPC generally allocates its investments *pro rata* among related Funds, NPC will determine how to allocate investment opportunities using its reasonable judgment, considering such factors as it deems relevant, but in its sole discretion. NPC generally will determine the allocation of investment opportunities among the persons and in the manner discussed herein often will not result in proportional allocations among such persons, and such allocations likely will be more or less advantageous to some such persons relative to others. While NPC will allocate investment opportunities in a manner that it believes is fair and equitable to the NexPhase Clients under the circumstances over time and consistent with NPC's obligations and the primary allocation principles describe above and reserves the right to take into consideration factors such as the following: the NexPhase Client's investment restrictions and objectives (including those set forth

in the relevant NexPhase Client's Governing Documents, where applicable), strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition, diversification limitations, cash level (if any), applicable tax and regulatory considerations, life cycle, structure and other relevant factors. There can be no assurance that a NexPhase Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made will be as favorable as they would be if the potential conflicts of interest to which NPC expects to be subject, discussed herein, did not exist.

Furthermore, NPC or its related persons expect to make decisions regarding whether and to whom to offer co-investment opportunities in consultation with other participants in the relevant transactions, such as a lender or co-sponsor. Allowing any co-investment generally reduces the amount of the relevant investment opportunity that theoretically could have been taken by the relevant Fund, and NPC expects to be subject to potential conflicts of interest in determining the amount of investment opportunity that should be allocated to the relevant Fund because (i) co-invest opportunities generally appeal to Fund investors and third parties, (ii) to the extent co-investments made by Fund investors are not subjected to management fees and/or performance-based compensation, co-investments blend the effective rates of compensation paid by such persons in a manner not subject to the "most-favored nation" provisions of a Fund's Governing Documents and (iii) co-investors' proportionate share of a particular investment typically is not subject to the management fee offset provisions of a Fund's Governing Documents. In order to facilitate the acquisition of a portfolio company, a Fund reserves the right to make (or commit to make) an investment in the company with a view to selling a portion of the investment to co-investors or other persons prior to or following the closing of the acquisition. In such event, the relevant Fund will bear the risk that any or all of the excess portion of such investment may not be sold or may only be sold on unattractive terms, including for example the risk that a portion of the investment will be syndicated at reduced cost, at cost, or at a lower amount at a time when the NPC GP believes the value of such investment has appreciated or should be higher than that paid (or willing to be paid) by a co-investor. To the extent such a syndication is made, the NPC GP's interest in limiting the Fund's exposure to a given investment while providing a potential benefit to co-investors investing at such lower values will give rise to a potential conflict of interest. As a consequence of a failed co-investment syndication process or a co-investment syndication on unattractive terms, the relevant Fund would be required to (i) bear the entire portion of any break-up, topping or other fees, costs and expenses related to such investment (including the proportionate share of such amounts that were expected to have been borne by co-investors), (ii) hold a larger-than-expected investment in such portfolio company, (iii) receive less-than-fair-market value for the syndicated portion of the investment and/or (iv) be diluted or realize lower than expected returns from such investment. When and to the extent that personnel and related persons of NPC and its affiliates make capital investments in or alongside certain Funds, NPC and its affiliates are subject to potentially conflicting interests in connection with these investments. There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

The appropriate allocation of expenses and fees generated in the course of evaluating and making investments which are not consummated, such as out-of-pocket fees associated with due diligence, broken-deal or topping fees, attorney fees and the fees of other professionals, will be determined by NPC and its affiliates in their discretion, in a manner they believe is fair and equitable to the

NexPhase Clients under the circumstances over time and consistent with the Governing Documents of the NexPhase Funds, in each case, subject to applicable law and legal, contractual or similar restrictions. There may be occasions when NPC pays an expense common to multiple NexPhase Clients (the “Allocated NexPhase Clients”) (e.g., legal expenses for a transaction in which such NexPhase Clients participate). On such occasions, each Allocated NexPhase Client will reimburse NPC for its share of such expense, without interest, promptly after the payment is made by NPC. The allocations of such expenses may not be proportional and any such determinations involve inherent matters of discretion, e.g., in determining which NexPhase Client benefit (or the extent to which they benefit) from the relevant service relating to the expense, or whether to allocate *pro rata* based on the number of Allocated NexPhase Clients or proportionately in accordance with asset size, or in certain circumstances determining whether a particular expense has a greater benefit to an Allocated NexPhase Client or NPC.

In exercising its discretion to allocate fees and expenses, NPC will be faced with a variety of potential conflicts of interest. For example, in allocating an investment opportunity among NexPhase Funds and Moelis Funds with differing fee, expense and compensation structures, NPC will have an incentive to allocate investment opportunities to the Funds from which NPC or its related persons may derive, directly or indirectly, a higher fee, compensation or other benefit. In addition, it may be difficult for NPC to determine whether a particular expense has a greater benefit to a NexPhase Client or NPC.

NPC manages a number of Funds that have investment objectives similar to each other. NPC reserves the right in the future to establish one or more additional investment Funds with investment objectives substantially similar to, or different from, those of the existing Funds. Allocation of available investment opportunities between a current NexPhase Fund and any such future NexPhase Fund could give rise to conflicts of interest. In addition, it is expected that NPC personnel responsible for managing a particular Fund will have responsibilities with respect to other Funds managed by NPC (including Funds that may be raised in the future), engage in investment activities for their own account and possibly provide transaction-related, management and other services to portfolio companies. Conflicts of interest can arise in allocating time, services or functions of these officers and personnel. NPC personnel reserve the right to manage their own personal investments, whether or not through a formal family office or estate planning structure, to establish trusts, endowments, charitable programs, foundations or similar arrangements, and to pay or receive compensation relating to the foregoing. NPC’s principals and NPC’s investment staff will continue to manage and monitor such investments until their realization. Such other investments that NPC principals expect to control or manage generally have the potential to compete with companies acquired by a Fund. Following the investment period of a Fund, NPC principals reserve the right to, and likely will, focus their investment activities on other opportunities and areas unrelated to such Fund’s investments. To the extent investment opportunity is received that is unsuitable for a Fund, in NPC’s sole discretion, NPC and its personnel reserve the right to refer such opportunity to third parties or to make personal investments in the relevant opportunity. Unless restricted by the Governing Documents, NPC personnel are permitted to serve on boards or act in other roles unaffiliated with NPC, the Funds or their portfolio companies, including boards of charitable and educational institutions, public companies and former portfolio companies, and receive compensation in connection with such services and roles and no such compensation will offset or otherwise reduce any management fees.

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

Investments to finance follow-on acquisitions can present conflicts of interest, including determination of the equity component and other terms of the new financing as well as the allocation of the investment opportunities in the case of follow-on acquisitions by one NexPhase Client in a portfolio company in which another NexPhase Client has previously invested. In addition, a NexPhase Client may participate in re-leveraging and recapitalization transactions involving portfolio companies in which another NexPhase Client has already invested or will invest. Conflicts of interest can arise, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms. Additionally, any decision by a Fund not to make add-on investments or its inability to make such investments may have a substantial negative impact on a portfolio 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) or may result in a lost opportunity for such Fund to increase its participation in a successful operation.

In certain cases, NPC will have the opportunity (but, subject to any applicable restrictions or procedures in the relevant Governing Documents, no obligation) to identify one or more secondary transferees of interests in a NexPhase Fund. In such cases, NPC will not receive compensation for identifying such transferees, and will use its discretion to select such transferees based on suitability and other factors, and unless required by the relevant Governing Documents, will determine in its sole discretion whether the opportunity to receive a transfer of NexPhase Fund interests should be offered to one or more existing NexPhase Fund investors.

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

M&C can, directly or indirectly through one or more of its subsidiaries or affiliates, and subject to the requirements of the applicable Governing Documents and applicable law, including any consent requirements, enter into contracts on terms determined by NPC to be fair and equitable to the relevant NexPhase Client to perform financial, investment, advisory and consulting services for, and will in such cases receive customary compensation from, a NexPhase Client's portfolio company, a NexPhase Client or other parties in connection with transactions related to the NexPhase Client's investments or otherwise. Such compensation could include, without limitation, investment banking fees or fees in connection with restructurings and mergers and acquisitions.

As with any other service provider, compensation for these services will not be shared with such NexPhase Client or its limited partners.

M&C, directly or indirectly through one or more of its subsidiaries or affiliates, may provide services in the future beyond those currently contemplated herein, including commercial banking, brokerage, customer financing, asset-based financing, corporate finance, and commercial finance services, among others, and engage in private equity investment activities. In conducting the aforementioned activities, M&C will be acting for its own account or the accounts of its clients and will have no obligation to act in the interest of NexPhase Clients. In addition, the foregoing activities could create conflicts of interest for a NexPhase Client, which could have an adverse impact on such NexPhase Client's performance.

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

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

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

NPC's wide-ranging authority on the determination of Impaired Value Investments, and the criteria used by the relevant NPC GP or its affiliates in valuing an investment, or determining whether an investment is an Impaired Value Investment, have the potential to be subjective, to be influenced by market information and other factors and to vary over time. There can be no assurance that a third party or investor would agree with the substance or timing of the relevant NPC GP's determination that an investment is an Impaired Value Investment, and except as set

forth in the Governing Documents, neither the NPC GP nor its affiliates is obligated to follow any third-party methodology in making its determination on whether an investment meets the relevant standards or whether value can be recovered or retained during the Fund's holding period. The NPC GP is entitled to make its own determination taking into account all facts and circumstances it deems relevant, subject to the provisions of the Governing Documents. As a general matter, the standards for determining Impaired Value Investments are intended to be high, and are not intended to apply to investments experiencing partial or temporary declines in value. Because the amount of NPC's compensation is dependent in part on an investment's status as an Impaired Value Investment, the relevant NPC GP faces potential conflicts of interest in determining whether an investment meets, or continues to meet, the relevant criteria. Although NPC intends to operate in accordance with the Governing Documents, as well as its valuation policy, in order to mitigate the potential for subjectivity in making such determinations, there can be no assurance that such policy will address all of the necessary factors to do so, or completely eliminate all potential conflicts of interest in such determinations.

A significant portion of our compensation is derived from "carried interest" (a performance fee), which creates an incentive for a NPC GP to operate the relevant Fund in a riskier, more speculative or other manner that is less favorable to investors than it would otherwise make in the absence of such arrangement, although we believe our own commitment of capital to the NexPhase Funds may somewhat mitigate this incentive.

Investors may have conflicting investment, tax and other interests with respect to their investments. These conflicting interests of individual investors and of the different NexPhase Clients may relate to or arise from, among other things, the nature of investments made, the structuring or the acquisition of investments, and the timing of our exit strategy. As a consequence, conflicts of interest may arise in connection with our investment decisions, including with respect to the structuring of investments. In structuring, acquiring and disposing of investments, NPC generally will consider the investment, tax and other relevant objectives of the relevant Fund and its limited partners as a whole, not the investment, tax, or other objectives of any limited partner individually.

Because certain expenses are paid for by a NexPhase Client and/or its portfolio companies or, if incurred by NPC, are reimbursed by a NexPhase Client and/or its portfolio companies, NPC will not necessarily seek out the lowest cost options when incurring (or causing a NexPhase Client or its portfolio companies to incur) such expenses. Although NPC generally 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.

In addition, as described above, portfolio companies (and, to a lesser extent, the NexPhase Clients) typically pay certain fees to and reimburse expenses of Operating Partners, Executive Advisory Board members and other consultants (including consultants introduced or arranged by NPC and/or its affiliates that regularly provide services to one or more portfolio companies), and such amounts generally will not offset or reduce any management fees as described herein. Operating Partners and Executive Advisory Board members are expected to include former personnel of NPC or certain portfolio companies, and in some circumstances former Operating Partners and Executive Advisory Board members are expected to become NPC personnel or personnel of portfolio companies. Consequently, the determination of whether individuals are Operating Partners and/or Executive Advisory Board members is expected to vary and/or be revisited, which

poses potential conflicts of interest where certain changes in status or categorization would reduce costs that NPC otherwise would be required to bear. To the extent that Operating Partners, Executive Advisory Board members or other consultants are paid retainers or guaranteed minimum compensation amounts, there is the possibility that certain portfolio companies of the Funds will bear a greater share of such compensation due to the utilization of the Operating Partners', Executive Advisory Board members' or other consultants' services at a time when fewer portfolio companies or Funds make use of such Operating Partners, Executive Advisory Board members or other consultants, and the use of Operating Partners, Executive Advisory Board member or other consultants is expected to fluctuate and/or expand over time. Under many of these arrangements, including, where Operating Partners, Executive Advisory Board members or other consultants are paid a flat fee, there can be no assurance that the amount of compensation paid in a particular year will be proportional to the amount of hours worked or the amount or tangible work product generated by the Operating Partners, Executive Advisory Board members or other consultants. Although the use of Operating Partners and Executive Advisory Board members and the allocation of compensation paid to them by NPC, its affiliates and/or the portfolio companies subject NPC and/or its affiliates to potential conflicts of interest, NPC believes that such potential conflicts have the potential to be reduced by the anticipated cost savings to portfolio companies (which is expected to be to the benefit of the applicable NexPhase Client(s)) that is anticipated to result if the cost of the Operating Partner or Executive Advisory Board member is lower than market rates for the services provided and/or if the quality of the services of the Operating Partner or Executive Advisory Board member align with the portfolio NCP's model for the portfolio company and improve portfolio company performance. Although NPC seeks to retain Operating Partners and Executive Advisory Board members with a view to reducing costs to portfolio companies (and, ultimately, the NexPhase Clients) or improving portfolio company performance, a number of factors may result in limited or no cost savings from such retention. NPC also seeks to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that NPC believes will align such persons' interests with those of the NexPhase Clients' limited partners and seeks to retain only Operating Partners and service providers 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 NPC generally structures Funds to avoid circumstances in which one Fund ultimately bears liability for all or part of the obligations of another Fund or any NPC affiliate, in certain circumstances lenders and other market participants negotiate for the right to face only select Fund entities, which may result in a single Fund being solely liable for other Funds' share of the relevant obligation and/or joint and several liability among Funds. In such cases, NPC intends to cause the relevant other Funds to enter into a back-to-back guarantee, indemnification or similar reimbursement arrangement, although the Fund undertaking the obligation in the first instance generally will not receive compensation for being primarily liable under these arrangements. In other circumstances, lenders and other market participants are expected to seek "cross default" rights under which a Fund will be treated as in default under the relevant facility in the event of a default by another Fund or a NPC affiliate relating to their respective lending or other facilities; if any such provision were to be triggered, a Fund's limited partners could suffer adverse effects resulting from any default by any Fund or a NPC affiliate, whether or not related to the Fund in which such limited partners have invested.

As described in Item 5 above, NPC and its personnel and affiliates have in the past and expect in the future to perform related services for, and receive fees from, actual or prospective portfolio companies or other investment vehicles of the NexPhase Funds. Such fees will be in addition to any management fees or carried interest paid by the NexPhase Funds to NPC. Additionally, a portfolio company will reimburse NPC for expenses. This creates a conflict of interest between NPC and its affiliates and the NexPhase Funds and their investors because the amounts of these fees and reimbursements may be substantial and the NexPhase Funds and their investors generally do not have an interest in these fees and reimbursements. NPC determines the amount of these fees for related services and reimbursements in its own discretion, subject to agreements with sellers, buyers, and management teams, the board of directors of or lenders to portfolio companies, and/or third-party co-investors in its transactions, and the amount of such fees and reimbursements may not (except in connection with the reductions described below) be disclosed to investors in the NexPhase Funds. NPC and its affiliates will in some circumstances offset the amount of management fees paid by the applicable NexPhase Fund in connection with the receipt of the applicable Fund's share of such fees. The amount and nature of this offset varies from Fund to Fund, and is set forth in the Governing Documents of the applicable fund. In certain circumstances, NPC expects that co-investors (such as entities through which NPC and certain personnel and affiliates of NPC invest alongside the NexPhase Funds), lenders, consultants or other parties will negotiate the right to share in such fees, and such shared fees generally not offset or reduce any management fee.

Expenses relating to the Funds or portfolio companies are expected to be charged using credit cards or other widely available third-party rewards programs that provide airline miles, hotel stays, travel rewards, traveler loyalty or status programs, "points," "cash back," rebates, discounts and other arrangements, perquisites and benefits under the available terms of such reward programs. Such programs are expected to vary over time, and any such rewards (whether or not *de minimis* or difficult to value) generally will inure to the benefit of the personnel participating in the rewards program, rather than the portfolio companies, the Funds or their respective investors; no such rewards will offset or reduce management fees.

Given the collaborative nature of NPC's business and the portfolio companies in which NexPhase Clients have invested, NPC expects to have an incentive to use or to recommend products or services of one portfolio company to another, which may involve fees, commissions, servicing payments or other compensation. Potential conflicts of interest arise in making such recommendations, as NPC expects to have an incentive to maintain goodwill between it and its former, existing and prospective portfolio companies, and as a result the products or services recommended may not necessarily be the best or lowest cost option. Discounted prices or better terms offered by a portfolio company to NPC, any other portfolio company or Third Parties may affect the returns of the portfolio company.

Portfolio companies controlled by a NexPhase Client may provide services to certain NexPhase Client investors. NPC has an incentive to cause the portfolio company to favor those investors relative to other portfolio company clients or customers in terms of pricing or otherwise, which could adversely affect the portfolio company's profitability to the NexPhase Client. Additionally, the portfolio company could recommend to its clients or customers that they invest in a NexPhase Client.

NPC and/or its affiliates reserve the right to engage in business opportunities arising from a NexPhase Client's investment in a portfolio company (for example, without limitation, entering into a joint venture with a portfolio company or making a proprietary investment in a portfolio company).

NPC has service providers, including for example, investment bankers, outside legal counsel and pension consultants, who may be investors in NexPhase Clients and/or who provide services to businesses that are competitors of NPC. In other circumstances, these service providers are expected to provide personal banking, private wealth or lending arrangements (including lending arrangements with respect to personal investment in or through NPC entities) to NPC personnel and their estate planning vehicles. NPC expects to be subject to a potential conflict of interest with the NexPhase Clients in recommending the retention or continuation of a service provider to a NexPhase Client or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider will continue to invest in such NexPhase Client or will provide NPC information about markets and industries in which NPC operates or is interested or will provide other services that NPC believes are beneficial to NPC. There is a possibility that NPC, because of such belief or for other reasons, will favor such retention or continuation even if a better price and/or quality of service could be obtained from another person.

Certain members of a NexPhase Client's advisory committee are, or in the future may be, officers or directors of, or otherwise affiliated with, investors in another NexPhase Fund. Each NPC GP reserves the right to utilize the services of investors and their affiliates on terms determined by NPC to be fair and equitable to the relevant NexPhase Client under the circumstances.

NPC personnel, Operating Partners or Executive Advisory Board members often serve as directors of portfolio companies. NPC personnel are prohibited from receiving consulting, management or other fees personally from portfolio companies. In addition, personnel of NPC may leave the employment of NPC or its affiliates and become an officer or employee of a portfolio company.

NPC has in the past and reserves the right in the future to enter into certain side letter arrangements with certain investors in a NexPhase Fund providing such investors with different or preferential rights or terms, including, but not limited to, different fee structures or arrangements (including discounted or rebated compensation terms, modified waterfall mechanics and/or receipt of a portion of NPC's compensation), information rights, specialized reporting, priority co-investment rights or targeted co-investment amounts, rights to serve on the Fund's advisory committee, liquidity or transfer rights, confidentiality protections and disclosure rights, modification of default remedies, investment pacing restrictions, as well as economic procedural and other terms, many of which will not subject to the "most-favored nation" provisions of a Fund's Governing Documents.

NPC is likely to have its own economic and/or other business incentives to provide certain terms to certain limited partners (*e.g.*, based on commitment amount to a NPC Client or the timing thereof, the ability of a limited partner to provide sourcing or other services to NPC, its affiliates and personnel or the NPC Clients, or the potential to establish, recognize, strengthen or cultivate relationships that have the potential to provide longer-term benefits to NPC, its affiliates and personnel, or the NPC Clients). Further, side letters also are expected to relate to strategic relationships under which an investor agrees to make capital commitments to multiple Funds.

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

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

NPC and the NexPhase Clients generally will engage common legal counsel and other advisers in a particular transaction, including a transaction in which there may be conflicts of interest. Members of the law firms engaged to represent the NexPhase Clients are permitted to be investors in a NexPhase Client, and may also represent one or more portfolio companies or investors in a NexPhase Client. In the event of a significant dispute or divergence of interest between NexPhase Clients, NPC and/or its affiliates, the parties may engage separate counsel in the sole discretion of NPC and its affiliates, and in litigation and other circumstances separate representation may be required. Additionally, NPC and the NexPhase Clients may engage other common service providers. In such circumstances, there may be a conflict of interest between NPC and the NexPhase Clients in determining whether to engage such service providers, including the possibility that NPC may favor the engagement or continued engagement of such persons if it receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by the NexPhase Clients.

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

In certain circumstances, a NexPhase Client has in the past and may in the future invest in a pooled investment vehicle that is advised by, or that has another business or other relationship with, NPC or its related persons. In such a case, investors in such NexPhase Client will bear not only the direct management fees and other expenses associated with their investment in the NexPhase Client, but also the expenses and fees associated with the investment in the underlying pooled investment vehicle, some of which fees and expenses will be paid to NPC or its related persons. Additionally, the interests of the NexPhase Client, as an investor, can conflict with the interests of the underlying pooled investment vehicle or NPC or its related persons in their capacity as service providers to the underlying pooled investment vehicle, which would create a conflict of interest for NPC. To seek to address these conflicts of interest, consent of the advisory committee of the relevant NexPhase Fund or Moelis Fund is generally required prior to any such investment.

A Fund's NPC GP generally is permitted to receive a distribution in kind from the Fund, including in connection with investment dispositions or the payment in kind of amounts owed to the NPC GP as carried interest (which generally will be made using the value of the relevant securities on the date of distribution). In such circumstances, there is a potential conflict of interest between the NPC GP (and its beneficial owners) and the relevant Fund's limited partners. For example, a NPC GP and its beneficial owners may intend to hold the investment for a different time period than NPC deems suitable for the relevant Fund. Although a NPC GP and its beneficial owners bear the risk that such securities will decrease during their holding period, to the extent the value of the relevant securities increases following the relevant Fund's disposition thereof, neither the relevant Fund nor its limited partners will benefit from the increase, and over time the economic benefit to the NPC GP and its beneficial owners could exceed the value of the NPC GP's *pro rata* interest in the Fund and the amount of carried interest owed. To the extent the beneficial owners of a NPC GP contribute such securities to a charity (including to a private foundation or other charitable organization associated with, operated or chosen by such persons or their families), any tax efficiencies or other personal benefits associated with the contribution will inure to the benefit of such beneficial owners rather than to the relevant Fund or its limited partners.

NPC reserves the right to establish certain investment vehicles through which certain personnel of NPC or its affiliates, certain business associates, other "friends of the firm," or other persons can invest alongside one or more NexPhase Funds in one or more investment opportunities. Such vehicles generally are contractually required, as a condition of investment, to purchase and sell each investment opportunity at substantially the same time, and on substantially the same terms, as the applicable NexPhase Fund that is invested in that investment opportunity. Such co-investment vehicles generally do not pay carried interest or management fees. Personnel and related persons of NPC have, and are expected to continue to have, capital investments in

prospective portfolio companies, directly or indirectly, as well as in investment vehicles (including private funds) sponsored by potential competitors, and therefore will have additional conflicting interests in connection with these investments.

In borrowing on behalf of a NexPhase Fund, NPC is subject to conflicts of interest between repaying its obligations and retaining such borrowed amounts for the benefit of the NexPhase Fund, and in circumstances where interest accrues on any such outstanding borrowings at a rate lower than the relevant NexPhase Fund's preferred return, is expected to have incentives to cause the NexPhase 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 the NexPhase 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 limited partners would otherwise be entitled had the general partner called capital, and thus could result in the relevant NPC GP receiving carried interest sooner than it would without borrowing. In addition, when the management fee is calculated as a percentage of invested capital, a limited partner will 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 limited partners will be commensurate with such costs.

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

In the case of all conflicts of interest, the determination by NPC as to which factors are relevant, and the resolution of such conflicts, will be made using its reasonable judgment, but in its sole discretion. In resolving conflicts, NPC reserves the right to consider various factors, including the interests of the applicable NexPhase Funds and other clients with respect to the immediate issue and/or with respect to their longer term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors may mitigate, but will not eliminate, conflicts of interest:

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

- Many important conflicts of interest generally will be resolved by set procedures, restrictions or other provisions contained in the relevant Governing Documents for NexPhase Clients;
- Generally, each NexPhase Client has established an advisory committee, consisting of representatives of investors not affiliated with NPC. The advisory committees meet as required to consult with NPC as to certain potential conflicts of interest. On any issue involving actual conflicts of interest, NPC will be guided by its good faith discretion;
- Where NPC deems appropriate, unaffiliated Third Parties may be used to help resolve conflicts, such as the use of an investment banker to opine as to the fairness or “arm’s length” nature of a purchase or sale price; and
- Prior to subscribing for interests in a NexPhase Client, each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of the NexPhase Client as more fully described in the relevant Governing Documents.

Item 12. Brokerage Practices

A. Selection of Broker-Dealers

Our business is advising the NexPhase Funds and sub-advising the Moelis Funds on making opportunistic private equity, mezzanine and distressed investments in private securities.

Accordingly, as a general matter we do not advise our clients on investments in public securities, and generally do not transact a marketable securities business through broker-dealers. However, in situations where we need to select a broker-dealer, we will consider a variety of factors, including, without limitation, the broker’s execution capabilities, including block positioning, research, financial stability, ability to maintain confidentiality, delivery timelines and ability to obtain best execution for all client securities transactions.

1) Research and Other Soft Dollar Benefits

Given the nature of the investments made on behalf of clients, we do not typically make investments in listed companies. As a result, we do not have any soft dollar arrangements in place that would require us to give any specified amount of brokerage to any broker-dealer. We expect to receive unsolicited research from brokers, dealers and banks through which we execute portfolio trades or hold accounts. In circumstances in which we use such research, we reserve the right to consider the quality and ability to receive research as a factor in the selection of brokers, dealers and banks executing portfolio trades. Even in these cases, the broker-dealers are still evaluated in accordance with the criteria listed under Item 12A above.

2) Brokerage for Client Referrals

We do not consider whether we, or a related person, receive client referrals from a broker-dealer or a third party when selecting or recommending broker-dealers. On occasion, we will engage the MCP broker-dealer to solicit capital on behalf of the NexPhase Funds. We do not consider the

MCP broker-dealer's success or failure in raising capital when selecting or otherwise recommending a broker-dealer.

B. Aggregation of Orders of Securities for Client Accounts

Given the nature of the investments we make on behalf of our clients, we do not typically make investments in listed companies. We do not routinely aggregate the purchase or sale of securities for various client accounts. However, when the NexPhase Funds or other clients conduct trading through a broker-dealer, we will seek to aggregate orders whenever practicable and cost-efficient. Our aggregation practices seek to treat all clients participating in the transaction in an equitable manner.

Item 13. Review of Accounts

A. Periodic Review of Client Accounts

Our investment team professionals and financial operations professionals review the operations of our affiliated Funds and other clients on an ongoing basis. These professionals monitor operations, overall performance, financial performance and strategic direction of each portfolio company. Each portfolio company provides us with regular reports regarding its financial status and performance, except in the rare instances where our control is limited, in which case we receive public information. Portfolio companies controlled by the NexPhase Funds generally provide monthly reports, whereas portfolio companies not controlled by the Funds generally provide reports on a quarterly basis. Our Investment Committee also performs quarterly comprehensive reviews of each portfolio company.

B. Factors that Trigger a Review of Client Accounts

Our investment professionals review the portfolio companies on an ongoing basis.

C. Reports to Clients

We deliver written financial reports, including information relevant to each of our clients' (and, where applicable, their investors') investments with us on a quarterly basis. Clients (and, where applicable, their investors) also receive written annual reports following the end of each fiscal year that include audited financial statements (including a balance sheet and a statement of income or loss) and a summary of the portfolio companies for the applicable investment program. All investors in our client are invited to our annual investor meeting.

Item 14. Client Referrals and Other Compensation

A. Client Referrals

Generally, we do not accept economic benefits from a person who is not a client for providing investment advice or other advisory services to our clients, however, on occasion, we receive management fees, monitoring fees or similar fees, or reimbursements of certain expenses, from portfolio companies in which a NexPhase Fund has invested. To seek to address this potential

conflict, all or a portion of such fees generally offset the management and/or sponsor fees paid by our clients, and are disclosed in the private offering materials.

B. Compensation for Client Referrals

While not a client solicitation arrangement, NPC has in the past and in the future expects to engage one or more persons to act as a placement agent for a NexPhase Fund in connection with the offer and sale of interests to certain potential investors. Such persons generally will receive a fee in an amount equal to a percentage of the capital commitments for interests made by such potential investors to such NexPhase Fund that are subsequently accepted. These arrangements generally are disclosed in the relevant Fund's Form D. Such NexPhase Fund generally will, subject to any limitations set forth in its Governing Documents, reimburse such fees. Any fees payable to any such placement agents generally will be borne by NPC indirectly through an offset against the management fee under the Governing Documents, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including, but not limited to, placement agent travel, meal and entertainment expenses, typically are borne by the relevant Fund(s).

Item 15. Custody

All NexPhase Funds' certificated securities and other required assets are held in custody by unaffiliated broker/dealers or banks; however, we have access to client accounts since an affiliate serves as the general partner of each NexPhase Fund. The NexPhase Funds are audited on an annual basis in accordance with generally accepted accounting principles (GAAP) and the financial statements are distributed to each limited partner. The audited financial statements will be distributed within 120 days of each NexPhase Fund's fiscal year end. Limited partners should carefully review these statements, and should compare these statements to any account information provided by us.

NPC maintains custody of assets in the name of one or more NexPhase Funds with the following qualified custodian(s):

- City National Bank

Item 16. Investment Discretion

We have complete discretionary authority to manage the portfolios of each NexPhase Fund. This authority is not limited by the NexPhase Client Funds' Governing Documents. However, NPC has in the past and expects in the future to enter into "side letter" arrangements with certain limited partners whereby the terms applicable to such limited partners investment in a NexPhase Fund can be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons.

Item 17. Voting Client Securities

A. Authority to Vote Client Securities

Although our investment programs do not typically involve publicly-traded securities, where such securities are involved, we believe our policies and procedures are reasonably designed to ensure

that proxies are voted in the best interests of clients and to recognize and resolve any material conflicts of interest that may arise in the course of such voting. The relevant NPC investment staff vote proxies in accordance with our proxy voting guidelines, unless a NexPhase Client's ownership of securities is subject to a voting agreement or shareholders' agreement, in which case any such voting or shareholders' agreement will control in the event of a conflict between the terms of such agreement and our proxy voting guidelines.

Our proxy voting guidelines require our Investment Committee or its designee to review all proxies prior to submission. The Investment Committee or a designee coordinates the receipt of each proxy, the communication of the votes to Third Parties, and the maintenance of all supporting documentation.

Our general policy is to vote proxy proposals, amendments, consents or resolutions relating to portfolio companies of NexPhase Clients, (collectively, "proxies") in a manner that serves the best interest of such NexPhase Client, as determined by us in our discretion, taking into account relevant factors, including, without limitation:

- the impact on the value of the returns of the relevant NexPhase Client;
- alignment of portfolio company management's interest with the relevant NexPhase Client, including establishing appropriate incentives for management; and
- the ongoing relationship between the relevant NexPhase Client, and the portfolio companies in which it invests, including the continued or increased availability of portfolio information.

For routine matters, we generally vote proxies in accordance with the recommendation of the portfolio company's management, unless we believe such recommendation is not in the best interest of the client. For non-routine matters, such as changing the state of incorporation or extending shareholders' rights, we typically vote in support of management, but decide these matters on a case-by-case basis.

When any proxy raises material conflicts between us or our personnel and one of our clients, such conflict will be fully disclosed to the Chief Compliance Officer. In the event of a conflict, we will vote the proxy in a manner we determine to be in the best interest of the client, provided that such vote is against our own interest in the matter. If we believe we should vote in a way that may also benefit, or be perceived to benefit, our own interest, then we must take action in accordance with the client's relevant Governing Documents, which generally includes disclosure of the facts surrounding any such conflict to the advisory committee of the applicable NexPhase Client and obtaining its consent before voting such proxy.

We will maintain a file or database of (i) our proxy voting policies and procedures; (ii) proxy statements received regarding client securities; (iii) records of votes cast by us on behalf of clients; (iv) records of client requests for proxy voting information; and (v) any documents prepared by us that were material to the voting decision, for two years in our offices and for three years in an easily accessible location.

Investors in the NexPhase Funds and our other clients may request further information regarding our proxy voting policies and procedures, or how we have voted on specific proxies, by contacting Andrew Goldfarb, Chief Compliance Officer, by e-mail at agoldfarb@nexphase.com or by telephone at 212-878-6006.

Item 18. Financial Information

NPC does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.