

**Part 2A: Firm Brochure (the “Brochure”)**

**ITEM 1 - COVER PAGE**

**EMP MANAGEMENT, LLC**

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**This brochure provides information about the qualifications and business practices of EMP Management, LLC (“EMP” or the “Firm”). If you have any questions about the contents of this brochure, please contact E. Stockton Croft IV, EMP’s Chief Compliance Officer (“CCO”) at (404) 974-2499 or [scroft@eaglemerchantpartners.com](mailto:scroft@eaglemerchantpartners.com).**

**The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

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

**Any reference to EMP Management, LLC as a “registered investment adviser” or being “registered” does not imply a certain level of skill or training.**

## **ITEM 2 - MATERIAL CHANGES**

This brochure is compiled by the Firm to provide clients with written and meaningful disclosures of its business practices, conflicts of interest, and the background of its advisory personnel. All recipients of this brochure are encouraged to read it carefully in its entirety.

Since the initial filing in March 2023, this Brochure has been amended to update information in Item 4 concerning assets under management and additional disclosures in Item 5, Item 8 and Item 11.

In this Item, the Firm will periodically identify and discuss material updates to the brochure. This is intended to inform current and prospective clients of important developments that may take place in the Firm's business practices.

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## Part 2A: Firm Brochure (the “Brochure”)

### ITEM 4 –EMP MANAGEMENT, LLC ADVISORY BUSINESS

- A. EMP Management, LLC (“EMP”), a Georgia limited liability company, was organized in 2002 and is headquartered in Atlanta, GA. The Firm is owned by E. Stockton Croft IV and William A. Lundstrom (together the “**Principals**”).
- B. EMP and its affiliates currently manage a number of pooled investment vehicles (each, a “**Fund**” or a “**Private Fund**” and, collectively, the “**Funds**” or the “**Private Funds**”). Affiliates of EMP serve as the general partner for each of the Funds (each, a “**General Partner**” and, collectively, together with any future general partner entities, the “**General Partners**,” and together with EMP and its affiliated entities, the “**Firm**”). The Funds are private equity funds and invest through negotiated transactions in operating entities, generally referred to herein as “**Portfolio Companies**” or “**portfolio companies**”).

EMP advises the Private Funds on matters related to the acquisition, disposition, and management of interests in the Portfolio Companies managed by EMP and its affiliates. EMP manages the assets of these Private Funds on a discretionary basis.

In addition to investment advisory services, EMP or its affiliates provide management, finance, acquisitions, marketing, and strategic and operational planning services to Portfolio Companies pursuant to an agreement entered between such Portfolio Companies and EMP (“**Portfolio Services**”). Please refer to Items 5 and 10 for more information.

The Private Funds are offered exclusively to individuals and other persons who qualify as “accredited investors” under Regulation D promulgated under the Securities Act of 1933, as amended (the “**Securities Act**”), and “qualified clients” as defined under Section 205(3) of the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”) and are therefore not required to register as investment companies with the SEC in accordance with the exemption set forth in Sections 3(c)(1) or 3(c)(7) of the Investment Company Act of 1940, as amended.

- C. The Private Funds are managed in accordance with the investment objectives, strategies, restrictions and guidelines, as described in the relevant offering documents and governing documents of the Private Funds (together, the “**Governing Documents**”). Investors and prospective investors in each Private Fund should refer to the Governing Documents of that Private Fund for information on the investment objectives and investment restrictions with respect to that Private Fund. There can be no assurance that any of the Private Funds’ investment objectives will be achieved, and EMP’s services are generally not tailored to the individualized needs of any investor of the Private Fund (generally referred to herein as “investors” or “limited partners”). Since EMP does not provide individualized advice to investors (and an investment in the Private Fund does not, in and of itself, create an advisory relationship between the investor and EMP), investors must consider whether a particular Private Fund meets their investment objectives and risk tolerance prior to

investing. Notwithstanding the foregoing, the General Partner of a Private Fund is permitted in the future to enter into side letter agreements or similar arrangements (“**Side Letters**”) with one or more investors in a Private Fund that have the effect of establishing rights under, or altering, modifying, waiving or supplementing the terms of, the Governing Documents of the Private Fund in respect of such investors. Among other things, these agreements are expected to entitle an investor in a Private Fund to lower fees, information or transparency rights, co-investment rights, most favored nations status, notification rights, rights or terms necessary or advisable in light of particular legal, regulatory or public policy considerations of or related to an investor and/or other preferential rights and terms. Any rights established or any terms of the Governing Documents of such applicable Private Fund altered or supplemented in or by a side letter or similar arrangement with an investor will govern solely with respect to such investor notwithstanding any other provision of the Governing Documents of such applicable Private Fund related thereto.

- D. EMP does not participate in wrap fee programs.
- E. EMP currently provides discretionary investment advisory services to Private Funds with a total of approximately \$383 million in assets under management.

#### **ITEM 5 – FEES AND COMPENSATION**

- A. As further described below, generally, EMP and/or its affiliates are compensated by the Private Funds and Portfolio Companies through the payment of diligence and strategy fees, management fees and performance-based fees. The specific terms relating to the fees paid by any Fund are negotiated between EMP, the applicable General Partner and the investors in the respective Private Fund at the time of such fund’s formation.
- B. **Management Fee.** With respect to certain Funds that own single assets (the “**Pre-Fund Vehicles**”), EMP is paid the management fee directly by the underlying Portfolio Companies. With respect to Private Funds, EMP’s management fee (the “**Management Fee**”) is generally equal to a percentage of the total capital commitments to such Fund. The fee percentage and/or the base upon which the fee is calculated may vary with the size of the Fund and may also vary over the life of the Fund, as negotiated and determined at the time the Fund is established and as set forth in its Governing Documents. The percentage of the Management Fee generally starts at 2.00% annually and is then reduced upon occurrence of certain events that are fully described in the Governing Documents of each Private Fund (“**Adjustment Date**”). After the Adjustment Date, the Management Fee generally accrues at an annual rate based on a percentage of the aggregate investment contributions of all investors used to make investments in portfolio companies that have not been sold or disposed of or completely written off.

For some Private Funds, the Management Fee is permitted to be reduced pursuant to a formula specified in the Governing Documents, and a corresponding portion (up to 25%) of the relevant General Partner's commitment is permitted to be structured as a profits interest.

Management Fees are typically funded with capital contributions drawn for such purpose, but may also be funded with or withheld from proceeds from 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. As further specified in the Governing Documents, from the effective date of the relevant Fund until the Adjustment Date, Management Fees generally will be charged based on a formula tied to the amount of the relevant Fund's aggregate Commitments. Further, after the Adjustment Date, Management Fees generally will be charged and calculated based on a formula tied to the amount of investment contributions (including, where applicable, a Fund borrowing component) made by the relevant Fund relating to the Fund's aggregate investment(s) in its portfolio companies that have not been realized or completely written off for U.S. federal income tax purposes (such investments, **"Impaired Value Investments"**).

Under the Governing Documents, where the fair market value of an investment exceeds the total amount of investment contributions relating to such investment, post-Adjustment 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 investments meeting the relevant Impaired Value Investment standard under the Governing Documents. For the avoidance of doubt, following the Adjustment 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 investment will be reduced solely based on the ratio of the fair market value of each relevant remaining investment(s) as compared against the amount of total investment contributions relating to such investment(s) 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 or of a Fund, including following the relevant investment period, and will not be reduced in connection with any write downs (whether temporary or permanent), 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 a dividend recapitalization) 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 Private Fund's investment or the Private Fund's ownership percentage in such investment has been reduced (including substantially reduced) as a result of such transaction.

In many circumstances, the post-Adjustment 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 or write-offs 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.** Each General Partner of the Private Funds will receive a performance-based distribution equal to a percentage of the return on capital distributed by the Private Funds after a preferred rate of return calculated based on proceeds received from the investments of the Private Funds. The performance-based distribution payable to each General Partner of the Private Funds is detailed in the offering documents and Governing Documents for the Private Funds.

**Additional Fees.** EMP and its affiliates are permitted to receive additional fees with respect to the Pre-Fund Vehicles and the Funds. EMP charges the Pre-Fund Vehicles and/or the Portfolio Companies diligence and strategies fees, monitoring fees, directorship fees and other similar types of fees ("**Portfolio Fees**"). The Portfolio Fees are designed to compensate EMP for services provided in connection with sourcing, reviewing, and executing investments opportunities on behalf of the Pre-Fund Vehicles. Specific amount of such fees charged by EMP and its affiliates varies by each Pre-Fund Vehicle. Please refer to the offering and Governing Documents of each Pre-Fund Vehicle for more details. EMP does not offset the Portfolio Fees against other fees collected from the Pre-Fund Vehicle or Portfolio Companies.

With respect to the Private Funds, to the extent specified in a Private Fund's Governing Documents, EMP or another Firm entity will be permitted to receive certain supplemental fees and other amounts ("**Supplemental Fees**") consisting of: (i) directors' fees, financial consulting fees or advisory fees with respect to any Fund investment; (ii) transaction fees paid by any portfolio company; and (iii) break-up or

topping fees with respect to Fund transactions not completed that are paid to the relevant General Partner, in each case net of certain expenses. A Private Fund's Governing Documents generally will provide that Supplemental Fees received by EMP and attributable to the Fund's investment in a portfolio company will be credited against Management Fees otherwise owed to EMP in a specified percentage (e.g., 100%). The remaining amount of such Supplemental Fees will be retained by EMP.

As a matter of practice, EMP is typically paid fees of the type referred to in the preceding paragraph from, on behalf of or with respect to co-investors in an investment. The receipt of such fees will not reduce the Management Fee payable by any Fund(s) that have also invested in such investment, and, as a result, a Fund will, in most cases, only benefit with respect to the relevant allocable portion on a fully diluted basis of any such fee and not the portion of any fee related to: (i) General Partner or affiliated partner commitments; or (ii) co-investors or potential co-investors (which could include co-investment vehicles managed by EMP, 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); or (iii) the value of profits, participation or equity interests in or relating to the relevant portfolio company, including interests owned by current or former portfolio company management, which have the potential to be significant.

Additionally, as further described below and in the Governing Documents, it is EMP's practice to use or retain certain operating partners and other consultants ("**Operating Partners**") to provide services to (or with respect to) certain portfolio companies in which one or more Funds invest. Operating Partners could include affiliates of EMP, employees of such affiliates, Portfolio Companies, third party consultants (including individual members of EMP's Operations Group (as described in the Governing Documents), consultants and external executives), "strategic partners," "executive partners" or "senior advisors," including members of the Southern Advisory Board (as described in the Governing Documents). If retained, the Operating Partners are expected to regularly provide services to, or in connection with, the Fund in relation to its activities, or to one or more portfolio companies in relation to the identification, acquisition, holding, improvement and disposition of such portfolio companies, including operational aspects of such companies ("**Services**"). Pursuant to the Governing Documents, compensation, fees and certain expenses associated with the Services (collectively, "**Consulting Fees and Expenses**"), are expected to be paid and/or reimbursed by applicable portfolio companies and/or the Fund, and Consulting Fees and Expenses are not included as Supplemental Fees and do not offset or otherwise reduce the Management Fee. Consulting Fees and Expenses are expected to include cash fees, profits or equity interests in a portfolio company, a share of proceeds upon sale of a portfolio company, benefits and other indicia of employment, retainer fees, consulting fees, and/or other incentive-based compensation to the applicable Operating Partner,



which may be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the applicable Operating Partner, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such 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 Fund's investment, and the Fund typically will bear the cost of all Operating Partner compensation as well as fees, costs and expenses of structuring Operating Partner arrangements.

- C. EMP shall be responsible for all expenses related to the operation of the General Partners and its other affiliates, including, without limitation, the payment of rent, general office overhead (including insurance) for its offices and employee compensation expenses.

Each Fund is governed by its own Governing Documents, which details a description of expenses for such client. While differences exist among the funds, the following is a description of expenses generally charged to each Fund.

The Funds (or the Portfolio Companies) will pay or otherwise bear all out-of-pocket payments, fees, costs, expenses and other liabilities or obligations related to, associated with, arising from or incurred in connection with the operation and activities of the Funds. Specifically, investors in the Funds bear all reasonable expenses relating to the Funds' operations, including (i) organizational and offering expenses; (ii) the Management Fees, (iii) expenses of attorneys, accountants, custodians and experts hired on behalf of the Funds, including in connection with negotiation of legal agreements; (iv) expenses (including travel) related to portfolio company matters; (v) any taxes, fees or other government charges levied against the Funds; (vi) any expenses of the board, including any board fees, expenses relating to meetings, insurance and indemnification costs; (vii) accounting and valuation expenses, including expenses associated with the audit or valuation of the Funds, its subsidiaries or its portfolio, and the preparation of the financial statements and tax returns of the Funds and its subsidiaries; (viii) all correspondence and other transaction costs and expenses incurred in connection with the acquisition, monitoring, ownership or disposition of any investments of the Funds (whether or not consummated), including reasonable travel expenses; (ix) costs and expenses related to investor communication and meetings, including quarterly and annual reports; and (x) other expenses related to the activities of Funds, including, without limitation, any amounts payable with respect to the indemnification provisions.

The recipients of this Brochure should refer to the Governing Documents of the Private Funds for specific information about expenses to be borne by the Private Funds.

- D. As stated above, the fees are pre-paid in advance. Generally, investors may not withdraw from a Private Fund prior to dissolution, and may not transfer any of their interests in a Private Fund without the prior written consent of the applicable General Partner.

Generally, the Management Fee obligation of a Fund may be terminated only in connection with the dissolution of the Fund.

- E. Neither EMP nor any of its supervised persons accept compensation for the sale of securities or other investment products.

**It is critical that investors and prospective investors refer to the respective Private Funds' Governing Documents (as applicable) for a complete understanding of how EMP and its affiliates are compensated for advisory services and allocate fund operating expenses. The information contained herein is a summary only and is qualified in its entirety by each Private Fund's Governing Documents.**

#### **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As disclosed in Item 5, EMP or its affiliates are generally permitted to receive a performance-based compensation.

As a fiduciary, EMP recognizes that it must treat all its clients fairly and must refrain from favoring one client's interests (or EMP's own interests) ahead of another client(s). Carried interest distributions could motivate EMP to operate the relevant Fund in a riskier, more speculative or other manner that is less favorable to investors than would otherwise make in the absence of such arrangements. For example, a carried interest distribution generally entitles EMP's affiliates to a percentage of the net profits of a Private Fund; however, such affiliates are not required to bear the same proportion of the net losses, if any, suffered by the Fund as a whole.

It should also be noted that conflicts regarding performance-based compensation are expected to arise to the degree that EMP manages additional Private Funds subject to different fee terms. As noted in Item 4, EMP or the applicable General Partner reserves the right to elect to waive or reduce the Management Fees, performance-based compensation and/or other fees for any investor, including investors that are affiliates and/or related persons of EMP. Investors that are affiliates and/or related persons of EMP, which include (among other persons) officers and employees of the firm, will typically not be charged a Management Fee or subject to a Carried Interest. As such, the General Partners are not subject to such fees. EMP recognizes its fiduciary status and its obligation to treat all advisory clients in a fair and equitable manner.

EMP generally attempts to mitigate conflicts of interest associated with carried interest distributions through (i) the requirement that invested capital be returned to investors before EMP's affiliates are entitled to receive any carried interest distributions; (ii) the requirement that EMP and/or its affiliates have a capital commitment to the applicable Private Fund; and (iii) the periodic clawback obligations of EMP's affiliates. In general, EMP attempts to address any material conflicts through full and fair disclosure in the applicable Governing Documents and this brochure.

#### **ITEM 7 – TYPES OF CLIENTS**

As described in Item 4 above, EMP provides discretionary investment advisory services to pooled investment vehicles which are operated as private equity funds. Each investor in the Private Funds must meet certain eligibility provisions. Specifically, each investor in the Private Funds is required to represent that it is an "accredited investor" within the meaning of Regulation D of the Securities Act and, depending on the particular Private Fund in which an investor subscribes, may be required to represent that it is a "qualified client" under Rule 205-3 of the Advisers Act.

In addition, certain of the Private Funds are subject to minimum capital commitments, as set forth in the applicable Governing Documents. Generally, EMP requires a minimum \$100,000 investment from prospective investors but may waive or reduce the minimum capital commitment at its discretion.

#### **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGY AND RISK OF LOSS**

EMP uses various methods of analysis and investment strategies in formulating its investment advice to the Private Funds. Any investment in securities involves a risk of loss that all of its EMP's clients should be prepared to bear.

The investment strategy for the Private Funds is formulated by EMP in a manner that reflects its investment philosophy and will be consistent with the Private Funds' objectives. EMP has not established any specific holding periods with respect to the Private Funds' investments. The Private Funds are expected to primarily invest in underlying Portfolio Companies managed by EMP.

An investment in the Private Funds involves a high degree of risk. The following list of risk factors does not purport to be a complete disclosure of all risks that may be relevant to a decision to purchase an interest in the Private Funds. Prospective investors in the Private Funds should carefully consider the following investment risks and considerations in evaluating the Private Funds and their business before deciding to purchase an interest in the Private Funds. As a result of these considerations, as well as other risks inherent in any investment, there can be no assurance that the Private Funds will meet their investment objectives or otherwise be able to successfully carry out their investment programs, or that an investor will receive a return of capital.

## **No Assurance of Profit or Distributions**

There is no assurance that the Private Funds will be profitable or that any distributions will be made to the investors. To the extent that the Private Funds are profitable, there is no assurance that any particular amount of the profits will be distributed to the investors or that any particular yield or rate of return will be achieved by the investors. If the Private Funds or any of their subsidiaries is in default under certain agreements with future lenders, distributions of profits to investors could be restricted or eliminated. The tax liability of an investor with respect to income from the Private Funds allocated to such investor for a fiscal year may exceed the amount of distributions made to such investor for such fiscal year.

## **Dependence on Key Personnel**

The loss of the services of any General Partner or Principal or member of the management and operations team (the “**EMP Team**”), if a suitable replacement could not be found, could have a material adverse effect on the Private Funds’ business, financial condition, results of operations, cash flow and ability to make distributions. In the event of such a loss, there can be no assurances that a suitable replacement could be found. The success of the Private Funds also depends upon its ability to develop additional senior level operating management.

The success of the Private Funds and the Portfolio Companies will depend upon the ability of EMP to attract and retain highly motivated, well-qualified management personnel. The Private Funds will face significant competition in the recruitment of qualified employees.

The success of the Private Funds will depend to a large degree upon the efforts of management of Portfolio Companies. Management shall have the exclusive control of all aspects of the Portfolio Companies and in this regard, management will make all decisions relating to operations such as the selection of personnel and the amount of proceeds to apply to other purposes. No person should purchase any interest in the Private Funds unless willing to entrust all aspects of the operations of the Portfolio Companies to the EMP Team. As members of the EMP Team are natural persons, any or all of them could die, become disabled or terminate his or her working relationship with the Private Funds and their subsidiaries.

The strategic direction and goals of the Private Funds and its subsidiaries will be set, monitored, evaluated and revised by the Firm. No person should purchase any interest in the Private Funds unless willing to entrust such oversight of the Portfolio Companies to the Principals and the EMP Team. As the Principals are natural persons, any or all of them could die, become disabled or terminate his status as a manager, board of managers member, officer, or owner of the Private Funds or terminate his or her working relationship with EMP or the Private Funds and their subsidiaries.

## **Brand Value**

The success of the Portfolio Companies is dependent in large part upon the value of each Portfolio Company's respective brand. Brand value can be severely damaged even by isolated incidents, particularly if the incidents receive considerable negative publicity or result in litigation. Some of these incidents may relate to the way the Portfolio Companies manage development efforts or the ordinary course of its business. Other incidents that could be damaging to the brand value of each Portfolio Company may arise from events that are or may be beyond such Portfolio Company's, or the General Partners' control, such as:

- actions taken (or not taken) by one or more other franchisees or their employees relating to health, safety, welfare or otherwise;
- data security breaches or fraudulent activities associated with each Portfolio Company's or other franchisees' electronic payment systems;
- litigation and legal claims;
- third-party misappropriation, dilution or infringement of intellectual property;
- regulatory, investigative or other actions; and
- illegal activity targeted at the Portfolio Company.

Consumer demand for each Portfolio Company's product and the brand's value could diminish significantly if any such incidents or other matters erode consumer confidence, which would likely result in a reduction in foot traffic and, ultimately, lower revenue. Any of these events could materially and adversely affect each relevant Portfolio Company's, and therefore the Private Funds', business, financial condition, results of operations, cash flow and ability to make distributions.

### **Portfolio Concentration**

The Private Funds will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment or within a short period of time. As a result, a Private Fund's investment portfolio could become highly concentrated, and the performance of a few holdings or of a particular industry may substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, a Private Fund may invest in fewer portfolio companies and thus be less diversified.

To the extent a Private Fund provides bridge financing to facilitate portfolio company 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 Private Fund. As a result, a Private Fund's portfolio could become more concentrated with respect to such investment than initially expected or otherwise provided for under the Private Fund's investment limitations, certain of which exclude bridge financing investments.

### **Lack of Sufficient Investment Opportunities**

It is possible that a Private Fund will never be fully invested if enough sufficiently attractive investments are not identified. The business of identifying, structuring and completing private equity transactions is highly competitive and involves a high degree of uncertainty. However, regardless of the extent to which the commitments of the limited partners are invested (or drawn down to be invested), the limited partners will be required to bear Management Fees through such Private Fund during the investment period based on the entire amount of the limited partners' commitments to such Private Fund and other expenses as set forth in the Governing Documents.

### **General Economic Risks**

The private equity industry generally and the success of the Private Funds' investment activities specifically will be affected by general economic and market conditions, as well as by changes in laws, currency exchange controls, and national and international political and socioeconomic circumstances. Such factors are unpredictable and cannot be controlled by EMP. Moreover, governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) may have a negative effect on market conditions. General fluctuations in the market prices of securities and economic conditions generally may reduce the availability of attractive investment opportunities for the Private Fund and may affect the Private Fund's ability to make investments. Instability in the securities markets and economic conditions generally (including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates) may also increase the risks inherent in the Private Funds' investments and could have a negative impact on the performance and/or valuation of the Fund's portfolio companies. A Private Fund's performance can be affected by deterioration in the capital markets and by market events, including events similar to the credit crisis in the summer of 2007 or the downgrading of the credit rating of the U.S. in 2011, which, among other things, can impact the public market comparable earnings multiples used to value privately held portfolio companies and investors' risk-free rate of return. Movements in foreign exchange rates may adversely affect the value of investments in portfolio companies and the Private Funds' performance. Volatility and illiquidity in the financial sector may have an adverse effect on the ability of the Private Funds to sell and/or partially dispose of its portfolio company investments. Such adverse effects may include the requirement of the Private Funds to pay break-up, termination or other fees and expenses in the event a Private Fund is not able to close a transaction (whether due to the lenders' unwillingness to provide previously committed financing or otherwise) and/or the inability of a Private Fund to dispose of investments at prices that EMP believes reflect the fair value of such investments. The impact of market and other economic events may also affect a Private Fund's ability to raise funding to support its investment objective.

### **Leveraged Investments**

A Private Fund is 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 such 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. 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. The leveraged capital structure of portfolio companies will increase the exposure of a Private Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of such Private 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 Private Fund. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, a Private Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of such Private Fund. Furthermore, should the credit markets be limited or costly at the time a Private Fund determines that it is desirable to sell all or a part of a portfolio company, the Private Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Furthermore, the companies in which a Private Fund invests generally will not be rated by a credit rating agency. Except where otherwise required by the relevant Governing Documents, a Private Fund will not be obligated to borrow on behalf of a portfolio company, even in circumstances where the Private Fund's creditworthiness would permit borrowing at a lower rate than is available to the portfolio company.

A Private Fund is 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 such Private Fund would be compensated for providing such guarantee or exposure to such liability. The use of leverage by a Private Fund generally also will result in fees, interest expense and other costs to such Private Fund that may not be covered by distributions made to such Private 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.

A Private Fund generally is permitted to incur leverage on a joint, several, joint and several or cross-collateralized basis with one or more other Private Funds and entities managed by EMP or any of its affiliates, including through Private Fund subsidiaries and other 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 Private Fund will disproportionately bear the risk and/or costs of leverage arrangements. In addition, to the extent a Private Fund incurs leverage (or provides such guaranties), such amounts are permitted to be secured by Commitments made by such Private Fund's investors and such investors' contributions may be required to be made directly to the lenders instead of such Private Fund.

### **Subscription Lines**

A Private Fund generally is permitted to enter into a subscription line with one or more lenders in order to finance its operations, including the acquisition, financing or refinancing of the Private Fund's 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 General Partner's right to call capital from the limited partners, limited partners may be obligated to contribute capital on an accelerated basis if the Private 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 Private Fund would likely be subordinate to the Private 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 Private 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 Private Fund's cost of borrowing, Fund-level borrowing can negatively impact a limited partner's overall individual financial returns even if it increases the Private 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 Private Fund, or results in short-term gains to a Private Fund, which in certain circumstances enhances the relevant Private 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 Private 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 Private 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 Private Fund's preferred return typically does not accrue on outstanding borrowings, the relevant General Partner has an incentive to cause the Private 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 Private Fund's investment period, and cause or defer a related change in the basis of the relevant Private 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 Private 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 Private Fund nor investors generally will be compensated for providing the relevant guarantee(s) or being subject to the related costs, expenses and/or liabilities.

A credit agreement or borrowing facility frequently will contain other terms that restrict the activities of a Private 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 General Partner's ability to consent to the transfer of a limited partner's interest in a Private Fund or impose concentration or other limits on the Private Fund's investments, and/or financial or other covenants, that could affect the implementation of the Private Fund's investment strategy. In addition, in order to secure a subscription line, the relevant General Partner may request certain financial information and other documentation from limited partners to share with lenders. The General Partner 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 Private Fund subsidiary is expected to bear higher rates under a borrowing facility than are borne by the Private Fund, resulting in a potential net benefit to the Private Fund, or additional potential liquidity constraints or other burdens on the relevant portfolio company or Private Fund subsidiary.

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows a General Partner 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 General Partner called smaller amounts of capital incrementally over time as needed by a Private 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. A General Partner is authorized to use Fund-level borrowing to pay Management Fees and to reimburse EMP for expenses incurred on behalf of the relevant Private Fund. A Private Fund is also permitted to utilize Fund-level borrowing when a

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 a Private 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 Private 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 General Partner, as reduced by the interest incurred by the relevant Private Fund. Subject to any limitations in the Governing Documents, this scenario potentially incentivizes the relevant General Partner to permanently fund the acquisition and ongoing capital needs of a Private 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 the Governing Documents, each Private Fund is authorized to incur indebtedness that is secured by any assets of the Private 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 permitted to be incurred for any purpose relating to the activities of the Private Fund, including without limitation to: finance any investment-related activities of the Private Fund; increase the buying power of the Private 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 Private 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 Private Fund is expected to enter into letters of credit in support of one or more of its investments, including for the purpose of such Private 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 Private 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.

### **Increased Labor Costs and Employee Health and Welfare Benefits**

Labor is a primary component in the cost of operating the Portfolio Companies. The Portfolio Companies devote significant resources to recruiting and training managers and employees. Increased labor costs due to competition, increased minimum wage or employee benefit costs or otherwise, would adversely impact the operating expenses.

### **Uncertainty of Financial Projections**

While EMP believes that the assumptions underlying any projections provided to the investors (the “**Projections**”) as to the future earnings of the Private Funds and potential for cash distributions to the investors are reasonable, there is no assurance that such earnings or other objectives will be realized or that there will be a return to the investors of any of their original investment. Such Projections are based upon a number of estimates and assumptions that are inherently subject to significant uncertainties and contingencies. There can be no assurance that the Private Funds and their subsidiaries will be able to incur additional indebtedness, generate the financial results, or be able to develop the Portfolio Companies as assumed in the Projections. There can be no assurance that the actual results will not vary materially and adversely from these assumptions.

EMP reserves the right to take or not take actions that would cause the actual results to vary from the Projections, including, without limitation, incurring additional indebtedness, granting warrants for interests to subordinated lenders and modifying terms of current indebtedness. The Projections are necessarily speculative in nature, and it can be expected that one or more of the estimates on which the Projections are based will not materialize or will vary significantly from actual results, and such variances will likely increase over time. Accordingly, actual results during the periods covered will vary from the Projections, and those variations may be material and adverse.

### **Distressed Investments**

A Private Fund may invest in the securities and obligations, including debt obligations that are in covenant or payment default, of companies experiencing significant financial difficulties and material operating issues, including companies that may have been, are or will become involved in bankruptcy proceedings or other restructuring, recapitalization or liquidation processes. Investments in such companies involve a substantial degree of risk that is generally higher than the risk involved in investing in companies that are not in financial or operational distress. Given the heightened difficulty of the financial analysis required to evaluate distressed companies, there can be no assurance that EMP will correctly evaluate the value of the assets of a distressed company securing its debt and other obligations or correctly project the prospects for the successful restructuring, recapitalization or liquidation of such company. Therefore, in the event that a portfolio

company does become involved in bankruptcy proceedings or a restructuring, recapitalization or liquidation is required, a Private Fund may lose some or all of its investment or may be required to accept illiquid securities with rights that are materially different than the original securities in which such Private Fund invested.

### **General Risks Associated with Changes in Laws and Regulations**

The Private Funds, the General Partners, EMP and/or their respective affiliates are subject to risks associated with changes that may generally occur with respect to U.S. federal, state or local laws and regulations, developing interpretations of such laws and regulations, and increased scrutiny by U.S. federal, state and local regulators and law enforcement authorities. Such changes, interpretations and increased scrutiny could result in claims against the Private Funds, the General Partners, EMP and/or their respective affiliates, directly, or indirectly, for actions taken or not taken by the Private Funds, the General Partners, EMP and/or their respective affiliates. Thus, the Private Funds, the General Partners, EMP and/or their respective affiliates face the continuing risk of potential litigation and regulatory action. These risks are often difficult or impossible to predict, avoid or mitigate in advance. The effect on the Private Funds, the General Partners, EMP or any affiliate of any such legal risk, litigation or regulatory action could be substantial and adverse.

Additionally, the SEC has proposed and enacted significant rules that will impact the business of EMP and the Private Funds. 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 EMP and its affiliates, the Private Funds and/or their investments. In addition, the Private Funds 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 Private Funds. 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.

### **Limited Access to Information**

Limited partners' rights to information regarding a Private Fund, the relevant General Partner or EMP generally will be specified, and in many cases strictly limited, by the Governing Documents. In particular, it is anticipated that the General Partner and its affiliates will obtain certain types of material information from or relating to a Private 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 EMP's control. Decisions by EMP 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 Private 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 EMP and its performance. Additionally, it is anticipated that limited partners that designate representatives to participate on a Private Fund's advisory committee generally may, by virtue of such participation, have more or earlier information about a Private 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 Private Fund succeeds in asserting confidentiality for requested documents and other materials, and EMP reserves the right to withhold certain information from investors subject to such laws for reasons relating to EMP's public reputation, business strategy or other reasons.

### **Investments in Troubled Assets**

A portion of the Private Funds' investments may involve under performing companies or companies identified by EMP as being in need of additional capital. The financial condition of such companies may be weak or their balance sheets highly leveraged, and any investment in them may involve a high degree of risk.

### **Illiquidity of Underlying Investments**

The interests may not be transferred except in compliance with applicable federal and state securities laws. The Governing Documents will contain substantial restrictions upon the transferability of the interests and the withdrawal of investors as limited partners, including the requirement that the General Partner consent to all transfers of interests by limited partners, other than transfers to certain affiliates of the transferring limited partner.

An investment in the Private Funds requires a long term commitment with no certainty of return. The Private Funds' investments will be highly illiquid, and there can be no assurance that the Private Funds will be able to realize such investments at attractive prices or otherwise be able to effect a successful realization or exit strategy. The ability of the Private Funds to achieve successful and profitable exits of its investments may be impacted by a number of factors prevailing at the time, including general economic conditions, interest rates, availability of capital, interest levels of strategic and financial buyers and cyclical trends. It is difficult to predict with any certainty whether there will be a ready and willing market of buyers for any particular investment at the time the Private Funds seek a realization. Consequently, dispositions of such investments may require a lengthy time period or may result in distributions in kind to the investors. Additionally, the Private Funds may acquire securities that cannot be sold except pursuant to a registration statement filed under the Securities Act, or in accordance with Rule 144 promulgated under the Securities Act. There can be no assurance that private purchasers can be found for the Private Fund investments.

## **Operating and Financial Risks of Portfolio Companies**

Any one Portfolio Company could deteriorate as a result of, among other factors, an adverse development in its business, a change in its competitive environment, or an economic downturn. As a result, business that may have expected to be stable may operate at a loss or have significant variations in operating results, may require substantial additional capital to support its operations. In some cases, the success of the Fund's investment strategy and approach will depend, in part, on the ability of EMP and such Portfolio Company's management teams to effect improvements in the operations of such Portfolio Company. The activity of identifying and implementing operating improvements and capturing synergies entails a high degree of uncertainty. There can be no assurance that EMP or such Portfolio Company's management team will be able to successfully identify and implement such operating improvements and capture synergies.

## **Undisclosed Liabilities**

In connection with an acquisition, the Private Funds will assume the liabilities of the target business. There may be liabilities that are unknown or contingent. The Firm will perform a due diligence review of the business to assess the value thereof and the liabilities that will be assumed in connection with the acquisition. The diligence procedures are similar to those typically employed in acquisitions of businesses similarly situated. The Firm focuses its diligence on general assessments of a business as a whole and the practices and procedures used by existing management and relevant business and market trends. As a result, the Firm may be unaware of or may underestimate the liabilities being assumed, and there can be no assurances that the Firm ascertained all liabilities or potential liabilities in its diligence review. The Private Funds' assumption of these liabilities may subject the Private Funds to undisclosed or otherwise unforeseen liabilities which are not known to the Private Funds or which may have been underestimated by the Firm. If such unknown liabilities materialize or such known liabilities are greater than the General Partner currently estimates, such liabilities could have a material adverse effect on the Private Funds' business, financial condition, results of operations, cash flow and ability to make distributions.

## **Rising Interest Rates**

The Portfolio Companies and their respective subsidiaries are exposed to interest rate risk related to certain of its financing arrangements. Certain indebtedness may have a variable interest rate based on various benchmarks, such as the Intercontinental Exchange London Interbank Offered Rate. Although the Portfolio Companies and their respective subsidiaries may hedge a portion of the interest rate risk associated with such indebtedness, a significant increase in interest rates would increase the Portfolio Companies' financing costs and could adversely affect their cash flow.

## **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, EMP, any General Partner, 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 EMP to manage the Funds and their investments, and on the ability of EMP, 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 the Fund to access capital contributions or otherwise); the inability of the Fund to acquire or dispose of investments, including at prices that the relevant General Partner believes reflect the fair value of such investments; and/or the inability of EMP or portfolio companies to make payroll, fulfill obligations and/or maintain operations. If a Distress Event leads to a loss of access to a Financial Institution’s services, it is also possible that EMP 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 EMP 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 EMP and/or the relevant Fund maintain all or a set amount or percentage of their respective accounts or assets with the Financial Institution, which heightens the risks associated with a Distress Event with respect to such Financial Institutions. Although EMP seeks to do business with Financial Institutions that it believes are creditworthy and capable of fulfilling their respective obligations to the Funds, EMP is under no obligation to use a minimum number of Financial Institutions with respect to any Fund, or to maintain account balances at or below the relevant insured amounts.

### **Data Security**

The nature of business involves the receipt and storage of personal and financial information about customers and employees. If a Portfolio Company experiences a data security breach, it could be exposed to government enforcement actions and private litigation. In addition, the Portfolio Company's customers could lose confidence in its ability to protect their personal and financial information, which could cause them to discontinue usage of credit cards or decline to use the Portfolio Company's services altogether. A data security breach may result from actions taken by third party service providers, as well as from actions taken by the Portfolio Company. Additionally, the loss of confidence from a data security breach involving employees could hurt each such Portfolio Company's reputation and cause employee recruiting and retention challenges. Any of these types of data breaches could materially and adversely affect each Portfolio Company's, and therefore the Private Funds', business, financial condition, results of operations, cash flow and ability to make distributions.

### **Business Disruption**

The business of each Private Fund is vulnerable to damages from any number of sources, including computer viruses, unauthorized access, energy blackouts, natural disasters, pandemics, terrorism, war and telecommunication failures. In December 2019, a novel strain of coronavirus was reported to have surfaced in Wuhan, China. In January 2020, the coronavirus spread to other countries, including the United States, and efforts to contain the spread of this coronavirus intensified. As of March 2020, the coronavirus had spread to additional countries, its presence in the United States had escalated and efforts to attempt to contain the virus had further intensified. The outbreak has been declared to be a pandemic by the World Health Organization, and the Health and Human Services Secretary has declared a public health emergency in the United States in response to the outbreak. The outbreak has disrupted economic markets and the prolonged economic impact is uncertain as of the date of this brochure, including its impact on each of the Private Fund's operations, liquidity and availability of capital. Governments, economists and other market participants have expressed concern that the continued spread of the virus globally could lead to a world-wide economic downturn, widespread corporate downsizing and an increase in unemployment. Given the ongoing and dynamic nature of the circumstances, it is difficult to predict the impact of the coronavirus outbreak. The extent to which the



coronavirus impacts each of the Private Fund's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus, the duration and spread of the outbreak, the actions to contain the coronavirus or treat its impact, its impact on our tenants, customers, employees and vendors, and governmental, regulatory and private sector responses, which may be precautionary, to the coronavirus, among others. It is expected that the effects of coronavirus will negatively impact restaurants and the hospitality businesses greater than other sectors. The financial condition and results of operations of each Private Fund could be adversely affected, including their ability to make distributions to investors or to satisfy redemption requests in a timely manner.

### **Other Operating Expenditures**

As the facilities for the existing businesses continue to age, the Portfolio Companies are expected to experience increased repair and maintenance expenditures related to those facilities. Such increases may affect store profitability. Further, the businesses may experience higher property insurance costs as a result of increased rate pressure throughout the insurance industry. There can be no assurance that any such repair and maintenance expenses and increased property insurance expenses will not adversely impact the profitability of the restaurant businesses or their ability to control costs in the future.

There is no assurance that the Private Funds will achieve its performance or investment objectives, including without limitation, the location of suitable investment opportunities and achieving any targeted rate of return or return of capital or any target distribution yield. Investors may lose some or all of their invested capital, and prospective investors should not purchase interests unless they can readily bear the consequence of such loss.

### **Changes to Benchmark Rates**

To the extent that a Fund'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 Fund 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 Funds 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 EMP 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 EMP 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 EMP 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 EMP 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 General Partner 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 EMP or any buyer group that typically are not applicable to more traditional investment sales. For example, in circumstances where EMP 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 General Partner 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, EMP, the relevant General Partner and any buyer group relating to the valuation and consideration offered for the subject investment(s). To the extent EMP requires existing limited partners and/or new buyers to commit capital to a continuation fund or another Fund managed by EMP 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 General Partner 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 EMP 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 EMP will successfully identify all conflicts of interest or resolve or mitigate all such conflicts of interest in favor of Fund or any individual limited partner or group of limited partners. However, EMP reserves the right, in its sole discretion, to determine to engage in such transactions, subject to any approvals required in the relevant Governing Documents. EMP is permitted to seek the consent of the relevant Fund advisory committee(s) 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 relevant 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.

### **Conflicts of Interest**

EMP 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. EMP 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 EMP conducting its activities, the interests of a Fund likely will conflict with the interests of EMP, 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, EMP 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.

During the investment period of a Fund, all appropriate investment opportunities will be pursued by EMP principals through such Fund, subject to certain limited exceptions set forth in the Governing Documents and EMP's Allocation Policy. Without limitation, EMP principals currently manage, and expect in the future to manage, several other investments similar to those in which a Fund will be investing, and expect to direct certain relevant investment opportunities or resources to those investments. EMP 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. EMP's principals and EMP's investment staff will continue to manage and monitor such investments until their realization. Such other investments that EMP 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, EMP 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 an investment opportunity is received that is unsuitable for a Fund, in EMP's sole discretion, EMP 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, EMP personnel are permitted to serve on boards or act in other roles unaffiliated with EMP, 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, none of which will offset or otherwise reduce Management Fees.

EMP 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 EMP. In determining which investment vehicles should participate in such investment opportunities, EMP and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. Except as required by the Governing Documents, EMP is not obligated to recommend any investment to any particular investment vehicle. Investments by more than one client of EMP in a portfolio company also have the potential to raise the risk of using assets of a client of EMP to support positions taken by other clients of EMP.

EMP must first determine which Fund(s) will, or are required to, participate in the relevant investment opportunity. EMP generally assesses whether an investment opportunity is appropriate for a particular Fund based on the Governing Documents, as well as factors including, but not limited to: each Fund's investment restrictions and objectives (including those set forth in the relevant Fund's Governing Documents, where applicable), strategy, capital structure, risk profile, time horizon, investment size, tax sensitivity, tolerance for turnover, asset composition, cash level (if any), applicable regulatory restrictions, life cycle and structure and other relevant factors. For example, a newly organized Fund generally will seek to purchase a disproportionate amount of investments until it is substantially invested. A Fund generally reserves the right to invest together with other Funds advised by an affiliate of EMP in the manner set forth in the Governing Documents. EMP will determine the allocation of investment opportunities among Funds in a manner that it believes is fair and equitable to its clients under the circumstances over time consistent with EMP's obligations and reserves the right to take into consideration factors such as those set forth above.

Following such determination of allocation among Funds, EMP reserves the right to offer co-investment opportunities to one or more potential co-investors, including Operations Group members, vendors, service providers and/or other third parties, as determined by the Governing Documents, Side Letters and EMP's Allocation Policy. EMP's procedures

permit it to take into consideration a variety of factors in making such determinations, including, but not limited to: (a) the ability of a potential co-investor to react promptly to a co-investment opportunity; (b) any strategic advantages that may result from a potential co-investor's participation in a co-investment opportunity; (c) a potential co-investor's Commitment to the Fund and/or commitment to one or more of the Pre-Fund Investments; (d) the likelihood that a potential co-investor may invest in the Fund; (e) the potential co-investor's investable assets relative to the size of the co-investment opportunity; (f) tax, regulatory and/or securities law considerations (e.g., qualified purchaser or qualified institutional buyer status); (g) confidentiality concerns that may arise in connection with providing the potential co-investor with specific information relating to the co-investment opportunity; (h) whether the potential co-investor's participation in an investment opportunity may subject the Fund to legal, regulatory, reporting or other burdens or could impair the ability of either the General Partner or Eagle to execute the relevant transaction in the desired time or on desired terms; (i) the size of the investment allocation and practicality of dividing it among multiple potential co-investors; (j) lender requirements; and/or (k) whether the General Partner or Eagle believes that allocating investment opportunities to the potential co-investor will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the Fund or the Pre-Fund Investments and/or EMP. Although EMP reserves the right to consider a prospective co-investor's willingness to invest in future Funds, such willingness generally will not be the sole determining factor considered by EMP in identifying co-investors.

Furthermore, EMP 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. Co-investment opportunities typically will be offered to some and not to other Fund investors, and the consideration of the factors set forth above likely will result in certain investors receiving multiple opportunities to co-invest while others expressing interest in co-investments have the potential to receive none. Allowing any co-investment generally reduces the amount of the relevant investment opportunity that theoretically could have been taken by the relevant Fund, and EMP 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 General Partner 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 General Partner'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 EMP and its affiliates make capital investments in or alongside certain Funds, EMP 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.

EMP's 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 EMP will allocate investment opportunities in a manner that it believes is fair and equitable to its clients under the circumstances over time and considering relevant factors, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the potential conflicts of interest to which EMP expects to be subject, discussed herein, did not exist.

In certain cases, EMP will have the opportunity (but, subject to any applicable restrictions or procedures in the Governing Documents, no obligation) to identify one or more secondary transferees of interests in a Fund. In such cases, EMP will use its discretion to select such transferees based on eligibility and other factors, and unless required by the Governing Documents, will determine in its sole discretion whether the opportunity to receive a transfer of Fund interests should be offered to one or more existing Fund investors.

Potential conflicts are expected to arise when and to the extent a Fund makes investments in conjunction with an investment being made by another Fund, or if it were to invest in the securities of a company in which another Fund has already made an investment. A Fund may not, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Funds. This likely will result in differences in price, terms, leverage and associated costs. Where multiple Funds invest in the same company at different times, the first Fund to invest typically will bear a higher level of diligence and transaction fees, costs and expenses than later Funds; similarly, to the extent a transaction does not proceed, the first Fund to invest typically will bear the full amount of broken deal expenses relating to the transaction, regardless of

whether other Funds could or would have invested in the company in potential future transactions. Further, there can be no assurance that the relevant Fund and the other Fund(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. EMP and its affiliates reserve the right to express inconsistent views of commonly held investments or of market conditions more generally. There can be no assurance that the return on one Fund's investments will be the same as the returns obtained by other Funds participating in a given transaction. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both Funds. In that regard, actions taken for one or more Funds may adversely affect other Funds.

Subject to any relevant restrictions or other limitations contained in the Governing Documents, EMP will allocate fees and expenses in a manner that it believes is fair and equitable to its clients under the circumstances over time and considering such factors as it deems relevant, but in any case in its sole discretion. In exercising such discretion, EMP expects to be faced with a variety of potential conflicts of interest.

As a general matter, Fund expenses typically will be allocated among all relevant Funds or co-invest vehicles receiving the benefit of such expenses (in the relevant General Partner's sole discretion) and eligible to reimburse expenses of that kind. In all such cases, subject to applicable law and legal, contractual or similar restrictions, expense allocation decisions generally will be made by EMP or its affiliates using their reasonable judgment, considering such factors as they deem relevant, but in their sole discretion to be fair and equitable across these vehicles. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion, *e.g.*, in determining which Funds or co-invest vehicles benefit (or the extent to which they benefit) from the relevant service relating to the expense, or whether to allocate *pro rata* based on number of Funds or co-invest vehicles receiving related benefits or proportionately in accordance with asset size, or in certain circumstances determining whether a particular expense has greater benefit to a Fund or EMP. The Funds generally have different expense reimbursement terms, including with respect to Management Fee offsets, which is expected in certain cases to result in the Funds bearing different levels of expenses with respect to the same investment.

As a result of the Funds' controlling interests in portfolio companies, EMP and/or its affiliates typically have the right to appoint portfolio company board members (including current or former EMP personnel or persons serving at their request), or to influence their appointment, and to determine or influence a determination of their compensation. Portfolio company board members frequently approve compensation and/or other amounts payable to EMP and/or its affiliates. Except to the extent such amounts are subject to the Governing Documents' offset provisions, they will be in addition to any Management Fees or carried interest paid by a Fund to EMP.

Additionally, a portfolio company typically will reimburse EMP or service providers retained at EMP's discretion for expenses (including, without limitation, travel expenses) incurred by EMP or such service providers in connection with its performance of services for such portfolio company. Service provider expenses are required to be reimbursed

whether or not there is overlap in expertise, function or services performed by EMP personnel. This subjects EMP and its affiliates to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. EMP determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices.

In connection with its services to the Funds and their investments, EMP, its affiliates and personnel expect to receive the benefit of certain tangible and intangible benefits. For example, in the course of EMP's operations, including research, due diligence, investment monitoring, operational improvements and investment activities, EMP and its personnel expect to receive and benefit from information, "know-how," experience, analysis and data relating to Fund or portfolio company (as applicable) operations, terms, trends, market demands, customers, vendors and other metrics (collectively, "EMP Information"). In many cases, EMP Information will include tools, procedures and resources developed by EMP to organize or systematize EMP Information for ongoing or future use. Although EMP expects its Funds and their portfolio companies generally to benefit from EMP's possession of EMP Information, it is possible that any benefits will be experienced solely by other or future Funds or portfolio companies (or by EMP and its personnel) and not by the Fund or portfolio company from which EMP Information was originally received or derived. EMP Information will be the sole intellectual property of EMP and solely for the use of EMP. EMP reserves the right to use, share, license, sell or monetize EMP Information, without offsetting or otherwise reducing Management Fees, and the relevant Fund or portfolio company will not receive any financial or other benefit of such use, sharing, licensure, sale or monetization. Additionally, 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.

EMP generally exercises its discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with certain service providers, and such service providers are expected to include: (i) EMP or a related person of EMP (which is permitted to include a portfolio company of such Fund); (ii) an entity with which EMP or its affiliates or current or former personnel has a relationship or from which EMP or its affiliates or their personnel otherwise derives financial or other benefit, including relationships with joint venturers or co-venturers, or relationships where EMP personnel are seconded, or from which EMP receives secondees; or (iii) certain limited partners or their affiliates. For example, EMP expects to be presented with opportunities to receive financing and/or other services in connection with a Fund's investments from certain limited partners or their affiliates that are engaged in lending or related business. This discretion subjects EMP to conflicts of interest, because, although EMP selects service providers that it believes are



aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Fund, EMP has a potential incentive to recommend the related or other person (including a limited partner) because of its financial or other business interest. There is a possibility that EMP, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds or EMP), would favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. EMP will not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses. Although EMP generally seeks appropriate rates for services, it reserves the right to prioritize prior usage, perceived quality, sector competence or expertise, familiarity, onboarding speed or other factors in retaining or recommending service providers. Additionally, EMP expects certain service providers, their affiliates and personnel to invest in, or co-invest alongside, one or more Funds, and due to the nature of the service provider relationships and the timing of services these persons have the potential to have information advantages relative to other investors or co-investors, and likely will be offered co-investment opportunities before such opportunities are presented to other interested prospective co-investors. Based on the foregoing factors, limited partners should not expect service providers to EMP or any Fund to provide services that will be the most beneficial to any limited partner.

Whether or not EMP has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

In addition, as described above, portfolio companies (and, to a lesser extent, the Funds) typically pay certain fees to, and reimburse expenses of, Operating Partners, and such amounts do not offset or reduce the Management Fee as described herein. Operating Partners generally make use of EMP resources or otherwise are associated with EMP. EMP and/or its affiliates reserve the right to agree to compensate certain of such persons to the extent portfolio company-related compensation falls below certain specified levels on an aggregate annualized basis, or provide other compensation. Operating Partners are expected to include former personnel of EMP or certain portfolio companies, and in some circumstances former Operating Partners are expected to become EMP personnel or personnel of portfolio companies. Consequently, the determination of whether individuals are Operating Partners 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 EMP otherwise would be required to bear. Operating Partners generally receive investment opportunities, reimbursements and other compensation that do not offset or reduce the Management Fee of any Fund, as described herein, and the use of Operating Partners is expected to fluctuate and/or expand over time. To the extent that Operating Partners are paid retainers or guaranteed minimum compensation amounts, there is the possibility that certain portfolio companies or Funds will bear a greater share of such compensation due to the utilization of the Operating Partner services at a time when fewer portfolio companies or Funds make use of such Operating Partner. Under many of these

arrangements, including where Operating Partners 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 Partner.

Although EMP 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 EMP 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, EMP 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 an EMP 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 an EMP affiliate, whether or not related to the Fund in which such limited partners have invested.

EMP and/or its affiliates reserve the right to employ or engage personnel with pre-existing ownership interests in portfolio companies owned by the Funds or other investment vehicles advised by EMP and/or its affiliates; conversely, current or former personnel or executives of EMP and/or its affiliates are expected to serve in significant management roles at portfolio companies or service providers recommended by EMP. Similarly, EMP, its affiliates and/or personnel maintain relationships with (or invest in) financial institutions, service providers and other market participants, including, but not limited to, managers of private funds, banks, brokers, advisors, consultants, finders (including executive finders and portfolio company finders), executives, attorneys, accountants, institutional investors, family offices, lenders, current and former personnel, and current and former portfolio company executives, as well as certain family members or close contacts of these persons. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, EMP and/or its affiliates and/or the Funds or other investment vehicles they advise. In other circumstances, these vendors are expected to provide personal banking, private wealth or lending arrangements (including lending arrangements with respect to personal investments in or through EMP entities, whether or not relating to financing EMP personnel obligations to fund General Partner commitment obligations) to EMP personnel and their estate planning vehicles. EMP expects to be subject to a potential conflict of interest with a Fund in recommending the retention or continuation of a third-party service provider to such Fund or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds, will provide EMP information about markets and industries in which EMP operates (or is contemplating operations) or will provide other services that are beneficial to EMP or one or more other Funds. EMP

expects to be subject to a potential conflict of interest in making such recommendations, in that EMP has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for a Fund, while the products or services recommended may not necessarily be the best available to a Fund or its portfolio companies.

EMP, its affiliates, and equity holders, officers, principals and personnel of EMP and its affiliates reserve the right to buy or sell securities or other instruments that EMP has recommended to a Fund. Any such transactions are subject to any restrictions in the Governing Documents and any related policies and procedures set forth in EMP's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of any Fund. Personnel and related persons of EMP have, and are expected to continue to have, capital investments in or alongside certain Funds, or in prospective portfolio companies directly or indirectly, as well as in investment vehicles (including private funds) sponsored by potential competitors, and therefore expect to have additional potential conflicting interests in connection with these investments.

A Fund's General Partner 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 General Partner 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 General Partner (and its beneficial owners) and the relevant Fund's limited partners. For example, the General Partner and its beneficial owners may intend to hold the investment for a different time period than EMP deems suitable for the Fund. Although the General Partner 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 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 General Partner and its beneficial owners could exceed the value of the General Partner's *pro rata* interest in the Fund and the amount of carried interest owed. To the extent the beneficial owners of the General Partner 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 Fund or its limited partners.

Except to the extent prohibited by the Governing Documents, EMP and its personnel are permitted to market, organize, sponsor or act in other capacities (including as director, founder or manager) for other pooled investment vehicles, accounts or SPACs the investment or business strategy of which does not overlap with the Fund(s) and to receive compensation (including in the form of management fees, performance-based compensation, founders' equity or similar interests) relating thereto. Subject to any limitations imposed by the Governing Documents and anti-"assignment" provisions of the Advisers Act, EMP and its personnel are also permitted to offer, restructure and monetize interests in EMP.

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

The Governing Documents provide EMP 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 EMP's compensation. In making such determinations, EMP is subject to potential conflicts of interest. For example, the potential to earn additional compensation creates an incentive for EMP 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. EMP 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, EMP will have incentives 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, EMP 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 General Partner 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.

EMP's wide-ranging authority on the determination of Impaired Value Investments, and the criteria used by the relevant General Partner 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 General Partner's determination that an investment is an Impaired Value Investment, and except as set forth in the Governing Documents, neither the General Partner 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 General Partner 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 EMP's compensation is dependent in part on an investment's status

as an Impaired Value Investment, the relevant General Partner faces potential conflicts of interest in determining whether an investment meets, or continues to meet, the relevant criteria. Although EMP 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.

Since EMP is permitted to retain certain Supplemental Fees (as described under “Fees and Compensation”) in connection with Fund investments, it expects to be subject to a potential conflict of interest in connection with approving transactions and setting such compensation. In many cases, Supplemental Fees are based on enterprise value or other metrics relating to a portfolio company, but also have the potential to be charged on a flat-fee basis or based on another metric, and there can be no assurance that the amount of Supplemental Fees charged will be proportional to the amount of hours of work performed or tangible work product generated on behalf of the portfolio company. Additionally, EMP, its personnel, affiliates or others designated by EMP expect to receive compensation in the form of portfolio company securities. To the extent any such securities are received, after any applicable offset provisions in the Governing Documents are applied, EMP and/or such other recipients will be permitted to retain such securities, and in doing so will be subject to potential conflicts of interest in determining whether to sell such securities (subject to restrictions imposed by the portfolio company and/or EMP) or retain such securities for a period consistent with their own financial and investment objectives, which may differ from those of the relevant Fund. In addition, because portfolio company securities typically represent newly issued incentive equity (whether in the form of common stock, warrants or options to buy common stock, or similar instruments), the receipt of compensation in the form of securities typically has the result of diluting a Fund’s relative ownership of the portfolio company awarding such compensation.

In certain circumstances, such as those relating to short- or long-term portfolio company cash or liquidity needs, and regardless of whether the portfolio company is undergoing financial stress, EMP reserves the right to accrue, defer or forego payments of Supplemental Fees. In such cases, in accordance with the Governing Documents, investors will not receive the benefit of Management Fee offsets with respect to such amounts until they are actually received.

EMP and/or its affiliates reserve the right to enter into Side Letters with certain investors in a 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 EMP’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, as well as economic, procedural and other terms, many of which will not be subject to the “most-favored nation” provisions of a Fund’s Governing Documents.

EMP 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 Fund or the timing thereof, the ability of a limited partner to provide sourcing or other services to EMP, its affiliates and personnel or the Funds, or the potential to establish, recognize, strengthen or cultivate relationships that have the potential to provide longer-term benefits to EMP, its affiliates and personnel, or the Funds. Further, Side Letters also are expected to relate to strategic relationships under which an investor agrees to make Commitments to multiple Funds. Except in the circumstances and on the timing required by 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, EMP, 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 EMP 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 relating 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, or from 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 EMP 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 exposures to liabilities or obligations, or to influence or affect the investment strategy and pursuit of investment opportunities by the General Partner 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.

EMP has incentives to use or to recommend products or services of one portfolio company to another, which generally will involve fees, commissions, servicing payments or other compensation. Potential conflicts of interest arise in making such recommendations, as EMP has incentives 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. In most cases, the relevant Fund(s) will not consent, participate in the negotiations or be directly involved in such arrangements. Discounted prices or better terms offered by a portfolio company to EMP, any other portfolio company or third parties have the potential to affect the returns of the portfolio company.

Although the Governing Documents generally contain broad exculpation and indemnification provisions, EMP 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 EMP 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 EMP's insurance coverage are higher or lower than that set forth in the Governing Documents.

Any of these situations subjects EMP and/or its affiliates to potential conflicts of interest. EMP attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by EMP's advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among a Fund, other Funds and such investment vehicles in a manner it believes to be fair and equitable to the Funds under the circumstances over time. To the extent that an investment or relationship raises particular conflicts of interest, EMP will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, EMP consults and receives consent to conflicts from an advisory committee consisting of limited partners of the relevant Fund(s) and such other investment vehicles.

## **ITEM 9 – DISCIPLINARY INFORMATION**

Neither EMP nor any of its officers or employees have been sanctioned or disciplined by any federal securities or commodities regulatory agency, self-regulatory organization or state for any violation of their statutes, regulations or rules nor have they ever been involved in any civil or criminal action relating to any violation of the federal or state securities or commodities laws.

## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

The General Partners of the Private Funds are each an affiliated entity of EMP and certain EMP affiliates and employees may have a financial interest in these entities. The General Partners of the Private Funds also are affiliated entities of EMP and certain EMP employees have a financial interest in those entities. See Item 6 above for a discussion of the potential conflicts of interest created by such affiliations.

Certain affiliates and employees of EMP have financial interests in the Portfolio Companies and serve as directors and officers of the Portfolio Companies or their General Partners. In that capacity, such affiliates and employees will be required to make decisions that consider the best interests of such Portfolio Companies and their equity holders. In certain circumstances, actions that may be in the best interests of the Portfolio Company may not be in the best interests of the Private Funds, and vice versa. Accordingly, in these situations, there will be conflicts of interest between such individual's duties to the General Partners of the Private Funds and to the Portfolio Companies.

As discussed in Item 5, where permitted under the relevant Governing Documents, EMP or its affiliates may provide financial advisory, consulting and management services to certain Portfolio Companies or otherwise be involved in providing financial advisory and other services. These activities may not need to be approved by the investors, and compensation received in connection with these activities will not be shared with the Private Funds or reduce Management Fees or other fees payable by the investors.

Neither EMP nor any of its affiliates are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Neither EMP nor any of its affiliates 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 entities.

## **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Pursuant to Rule 204A-1 of the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”), EMP has adopted a Code of Ethics (the “**Code**”) that establishes various procedures with respect to investment transactions in accounts (“**Covered Accounts**”) in which any of EMP's employees have discretionary investment authority or exercise effective influence or control.

EMP's Code was adopted to avoid possible conflicts of interest, avoid the inappropriate use of material, non-public information and ensure the propriety of its employees' and its principals' trading activity.



The foundation of the Code is based on the underlying principles that:

- Employees must at all times place the interests of the client first;
- Employees must make sure that all personal securities transactions are conducted consistent with the Code; and
- Employees should not take inappropriate advantage of their position.

Covered Account transactions in certain types of securities are monitored by the CCO. Employees must also obtain pre-approval from the CCO before participating in an initial public offering or private placement.

Covered Account transactions are subject to review by EMP's CCO. These records are used to monitor compliance with the foregoing policies.

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

EMP will investigate and structure potential investments of the Private Fund and the General Partners of the Portfolio Companies, as described in Item 16 below. Principals and employees of EMP may have a material financial interest in these investments by virtue of their relationship to the General Partners of the Private Funds and their investment in the Private Funds as well as ownership in the Portfolio Companies and in the General Partners of the Portfolio Companies. EMP and its affiliates also receive fees and compensation from the Portfolio Companies in which these investments are made. As such, it is possible that EMP could cause a Fund to buy or sell securities in which one or more of EMP's related persons have a financial interest. For example, EMP could recommend that a Fund invest in a portfolio company in which another Fund previously invested. Because certain of EMP's related persons or affiliates may have an ownership interest in multiple Funds, EMP could have a potential conflict of interest in making such a recommendation. EMP addresses this through disclosure to Funds and Fund investors.

Principals and personnel of EMP and its affiliates generally are expected to directly or indirectly own an interest in one or more Funds, including certain co-invest vehicles. To the extent that co-invest vehicles exist, such vehicles are expected to invest in one or more of the same portfolio companies as a Fund. Co-invest opportunities generally are also expected to be presented to certain affiliates of EMP, as well as third party investors and other persons, and such co-investments may be effected through co-invest vehicles, directly in a particular portfolio company or through an intermediate entity in a portfolio company's structure. Such co-investment opportunities generally will be allocated in the manner described under "Methods of Analysis, Investment Strategies and Risk of Loss."

## **Privacy Policy**

EMP is committed to maintaining the confidentiality, integrity and security of its investors' personal information. It is EMP's policy to collect only information necessary or relevant to its management business and use only legitimate means to collect such information. EMP does not disclose any non-public, personal information about its underlying investors to anyone except for servicing and processing transactions and as required by law. EMP restricts access to non-public, personal information about its investors to those employees with a legitimate business need for the information. EMP maintains security practices, physical, electronic and procedural safeguards to guard each investor's non-public, personal information. Upon request, EMP will provide a copy of its written privacy policies and procedures.

### **ITEM 12 – BROKERAGE PRACTICES**

EMP provides discretionary investment advice to ten pooled investment vehicles. It does not have an active brokerage relationship.

### **ITEM 13 – REVIEW OF ACCOUNTS**

EMP consults the Private Funds and its investors on an ongoing basis regarding the Private Funds' portfolio. EMP will review the Private Funds' investments on a regular basis with a view to evaluating, among other things, economic developments, industry outlook and other issues related to the investments.

EMP will provide the investors in the Private Funds with the following reports: (i) audited annual financial statements; (ii) unaudited quarterly financial statements; and (iii) annual tax information necessary to complete any applicable tax returns.

### **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

EMP reserves the right to engage a third-party placement agent to introduce prospective investors to the Private Funds and to any future clients. EMP expects to agree on terms with any prospective investor on how the placement agent fees will be paid on an individual basis.

### **ITEM 15 – CUSTODY**

EMP is deemed to have custody of the assets of the Private Funds. Therefore, in order to comply with Rule 206(4)-2 of the Advisers Act (the “**Custody Rule**”), EMP complies with the pooled vehicle annual audit provision. Annually, upon completion of the annual audit of the Private Funds, EMP shall seek to ensure that the audited financial statements are delivered to investors in the Private Funds within 120 days of its fiscal year end. The audited financial statements will be prepared by an independent accounting firm that is registered with and subject to review by the Public Company Accounting Oversight Board,

in accordance with U.S. Generally Accepted Accounting Principles. Investors should carefully review these audited financial statements.

#### **ITEM 16 – INVESTMENT DISCRETION**

EMP, subject to the direction and control of the General Partners of the Private Funds, has investment discretion in managing the investments of the Private Funds, but does not have discretion to call additional capital or reinvest capital for the acquisition of new investments by the Private Funds. The terms of these investments as well as the investment strategy and guidelines around the use of this discretion are described in detail in the Private Funds' offering documents.

EMP assumes, subject to the direction and control of the General Partners of the Private Funds, investment discretion and day-to-day operations over the Private Funds by virtue of the execution of the partnership agreement of the Private Funds by each investor in the Private Funds.

#### **ITEM 17 – VOTING CLIENT SECURITIES**

Neither EMP nor the Private Funds primarily invests in public securities. Therefore, EMP is generally not in a position to vote public company proxies. However, EMP has established written policies and procedures setting forth the principles and procedures by which EMP votes or gives consent with respect to securities owned by the Private Funds.

#### **ITEM 18 – FINANCIAL INFORMATION**

Registered investment advisers are required in this Item to provide certain financial information or disclosures about the registered investment adviser's financial condition. EMP has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding. EMP does not require or solicit prepayment of more than \$1,200 in fees for any client, six months or more in advance, and therefore has not included a balance sheet.