

PART 2A OF FORM ADV - FIRM BROCHURE



**Sunstone Partners Management, LLC
400 S. El Camino Real, 15th Floor
San Mateo, California 94402
Tel: 650•289•4400**

March 2024

This Part 2A of Form ADV (this “**Brochure**”) provides information about the qualifications and business practices of Sunstone Partners Management, LLC (“**Sunstone Partners**”). If you have any questions about the contents of this Brochure, please call us at 650•289•4400. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “**SEC**”) or by any state securities authority, and references in this Brochure to Sunstone Partners as a “registered investment adviser” are not intended to imply a certain level of skill or training, and no inference to the contrary should be made.

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

ITEM 2 – MATERIAL CHANGES

A summary of material changes from our last Brochure update in March 2023 is listed below. Sunstone Partners may provide future information about material changes or a new Brochure, as necessary.

Our current Brochure may be requested by contacting us at 650•289•4400 or via email at finadmin@sunstonepartners.com. Our Brochure is provided free of charge.

Sunstone Partners filed its most recent Form ADV Part 2 in March 2023. This annual amendment updates the description of the business practices of Sunstone Partners and its affiliates.

ITEM 3 – TABLE OF CONTENTS

Page

ITEM 2 – MATERIAL CHANGES	ii
ITEM 3 – TABLE OF CONTENTS.....	iii
ITEM 4 – ADVISORY BUSINESS	1
ITEM 5 – FEES AND COMPENSATION	4
ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT	10
ITEM 7 – TYPES OF CLIENTS.....	12
ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS	12
ITEM 9 – DISCIPLINARY INFORMATION.....	57
ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....	57
ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	58
ITEM 12 – BROKERAGE PRACTICES	59
ITEM 13 – REVIEW OF ACCOUNTS	61
ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION	61
ITEM 15 – CUSTODY	61
ITEM 16 – INVESTMENT DISCRETION.....	62
ITEM 17 – VOTING CLIENT SECURITIES	62
ITEM 18 – FINANCIAL INFORMATION	63

ITEM 4 – ADVISORY BUSINESS

A. Description of the Advisory Firm

Sunstone Partners Management, LLC ("**Sunstone Partners**" or the "**Firm**") is a Delaware limited liability company that commenced operations in 2015.¹ The principal owners of the Firm are Gustavo Alberelli, Michael Biggee and Arneek Multani (the "**Principals**"), who hold their respective interests through Sunstone Partners Management Holdings, LP, the parent entity of Sunstone Partners.

The Firm's clients include the following: Sunstone Partners I, LP, and its associated co-investment fund, Sunstone Partners Co-Invest I, LP ("**Fund I**" and the "**Fund I Co-Invest Vehicle**," respectively), Sunstone Partners II, LP, Sunstone Partners II-A, LP and Sunstone Partners Executive Fund II, LP (together, "**Fund II**") and Sunstone Partners III-Main, LP, Sunstone Partners III-A, LP and Sunstone Partners Executive Fund III, LP (together, "**Fund III**").

The Funds are not registered under the Investment Company Act of 1940, as amended (the "**Investment Company Act**"), and the securities of the Funds are not registered under the Securities Act of 1933, as amended (the "**Securities Act**").

B. Types of Services

Sunstone Partners provides discretionary investment advisory services to private investment funds organized as Delaware limited partnerships (each a "**Fund**" and collectively the "**Funds**"). Sunstone Partners GP-I, LLC, Sunstone Partners GP-II, LLC and Sunstone Partners GP-III, LLC (together with any future general partner that may be formed, each an "**Advisory Affiliate**" or "**General Partner**") are affiliated with the Firm and serve as general partners to the Funds. Each Advisory Affiliate is a related person of Sunstone Partners.

The Firm provides investment advice on, and manages investments in, growth equity-stage companies in the United States and Canada, focused on technology-enabled services. Growth equity has historically been considered both a branch of later stage venture capital and as lower middle market private equity. Within technology-enabled services, the Firm focuses primarily on certain select vertical segments: Cloud, Cybersecurity, Healthcare IT and Marketing Services.

The Firm offers investment advice solely with respect to the investments made by the Funds. The Firm's services consist of investigating, identifying, and evaluating investment opportunities, structuring, negotiating and executing investments on behalf of the Funds, managing and monitoring the performance of such investments, and advising as to the disposition of such Fund investments.

Each Fund is a limited partnership, comprising limited partner investors (each, an "**Investor**") and a general partner. The activities of each Fund are governed by a limited partnership agreement (a "**Partnership Agreement**") that specifies the investment guidelines and investment restrictions applicable to such Fund. Individual Investors enter into a subscription agreement under which the Investor agrees to be bound by the terms of the Fund's Partnership Agreement and the subscription agreement (the

¹ The Firm was initially organized as TC Growth Management, LLC and formally changed its name on April 12, 2016.

Partnership Agreement and subscription agreements being referred to collectively as the “**Governing Documents**”). Each Fund is managed by one of the Firm’s Advisory Affiliates, as General Partner of such Fund. Each Advisory Affiliate, in turn, has entered into a management agreement with Sunstone Partners Management, LLC under which Sunstone Partners Management, LLC provides services associated with advising and managing the respective Fund. Each Advisory Affiliate retains investment and management authority over the business and affairs of the Fund for which it serves as General Partner, but delegates certain management and advisory services to the Firm.

Sunstone Partners has offered co-investment opportunities (directly and indirectly) to existing investors, and expects to offer co-investment opportunities (directly and indirectly) to investors, Portfolio Operations Group members, portfolio company management or personnel, Sunstone Partners personnel, other certain persons associated with Sunstone Partners and/or other outside parties in the future. Such co-investments typically involve investment and disposal of interests in the applicable portfolio company of a Fund (a “**Portfolio Company**”) at the same time and on the same terms as the Fund making the investment. However, for strategic and other reasons, a co-investor or co-invest vehicle is permitted to purchase a portion of an investment from one or more Funds after such Funds have consummated their investment in the Portfolio Company (also known as a post-closing sell-down or transfer). There is no guarantee to any Investor that such Investor will be offered co-investment opportunities. The Firm will make all decisions regarding whether, to whom, and to what extent to offer co-investment opportunities in our sole discretion, subject to any restrictions contained in the Governing Documents of the relevant Fund.

In some cases, a co-investment vehicle will be formed to invest in Portfolio Companies alongside one or more Funds in connection with the consummation of a transaction, subject to Sunstone Partners’ related policies and the relevant Partnership Agreement and/or side letter(s). Where a co-investment vehicle is formed, such entity often will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. In the event that a transaction in which a co-investment was planned (including a transaction for which a co-investment was believed necessary in order to consummate such transaction or for which a co-investment would otherwise be beneficial, in the judgment of the applicable General Partner) is not ultimately consummated, no co-investment vehicle generally will have been formed, and all unconsummated transaction expenses relating to such unconsummated transaction will be borne by the Fund or Funds selected by the applicable General Partner as proposed investors for such proposed transaction, and not by any prospective co-investors that were to have participated in such transaction, to the extent set forth in the applicable Partnership Agreement. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such co-investor or vehicle will in most cases bear its share of such unconsummated transaction expenses.

C. Fund Investment Objectives and Restrictions

Sunstone Partners generally has broad and flexible investment authority with respect to the Funds. Each Fund’s investment objective and strategy is set forth in the respective Fund’s Governing Documents. Investors are urged to carefully review a Fund’s Governing Documents prior to making an investment in a Fund.

Sunstone Partners’ investment advice and investment authority is tailored and limited to that which is permitted under each Fund’s Governing Documents. The Firm does not provide investment advice

directly to Investors in the Funds, and Investors in a Fund are bound by the investment strategy of that particular Fund, as described in such Fund's Governing Documents.

Sunstone Partners tailors its investment advice to each Fund and makes investment decisions in accordance with the Fund's investment objectives, strategy and restrictions as set forth in such Fund's Partnership Agreement. While certain individual Investors have separate legal rights under side letter agreements, as described in the next paragraph, the Firm does not tailor its advisory services to the individual needs of individual Fund Investors. Since the Firm does not provide individualized advice to Investors (and an investment in a Fund does not, in and of itself, create an advisory relationship between Sunstone Partners and the Investor), Investors must consider whether a particular Fund meets their investment objectives and risk tolerance prior to investing.

Sunstone Partners 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 Sunstone Partners' compensation), information rights, specialized reporting, priority co-investment rights or targeted co-investment amounts, rights to serve on the Fund's Advisory Board, 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.

Sunstone Partners is likely to have its own economic and/or other business incentives to provide certain terms to certain Investors, *e.g.*, based on commitment amount to a Fund or the timing thereof, the ability of an Investor to provide sourcing or other services to Sunstone Partners, 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 Sunstone Partners, 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, Sunstone Partners, 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 Sunstone Partners to potential conflicts of interest, including in circumstances where an Investor's right to serve on the relevant Fund's Advisory Board 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 Investor at the expense of the relevant Fund or of Investors 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.

D. Wrap Fee Programs

Sunstone Partners does not participate in wrap fee programs.

E. Assets Under Management

As of December 31, 2023, Sunstone Partners had a total of approximately \$2,155,315,048 in regulatory assets under management, on a discretionary basis. The Firm does not currently manage any client assets on a non-discretionary basis.

ITEM 5 – FEES AND COMPENSATION

A. Advisory Fees and Compensation

The Firm is compensated for its advisory services through asset-based management fees (“**Management Fees**”) and performance-based profit distributions (commonly referred to as “**Carried Interest**”), which are paid by Fund I, Fund II and Fund III (the “**Fee-Paying Funds**”) to our Advisory Affiliates. A summary of Fund I, and Fund II and Fund III’s anticipated fees and expenses follows, but investors should review the applicable Fund’s Governing Documents for details regarding fee structure and expenses.

The Fund I Co-Invest Vehicle does not pay Management Fees or Carried Interest.

Management Fees for Fund I, Fund II and Fund III

Management Fees are payable either directly by each Investor or indirectly through a Fund for a specified period over the life of the Fee-Paying Funds. The scheduled fee structure for each such Fund is set at the establishment of each respective Fund pursuant to negotiations with the investors in such Fund and is set forth in its Governing Documents. The Management Fees are payable quarterly in advance, as of the first day of the calendar quarter, and are pro-rated for any partial calendar quarter. Management Fees generally are determined as follows: (i) Commencing with the effective date of the Fund, the quarterly Management Fee payable by each Investor not designated as “affiliated partners” by the General Partner is equal to the capital committed to the Fund by such Investor times 0.5% (representing an annual fee of two percent (2.0%)); (ii) Upon a date specified in the Governing Documents (the “**Stepdown Date**”), the quarterly Management Fee payable by each Investor is equal to the capital committed to the Fund by such Investor times a fee percentage that steps down incrementally over a period of years from 0.5% (2.0% annually) to 0.25% percent (1.0% annually); and (iii) at such later time as is specified in the Governing Documents of the Fund, the quarterly Management Fee payable by a Fund in respect of each Investor is equal to such Investor’s proportionate share of invested capital under management (determined in accordance with the Governing Documents of the Fund) times 0.5% (2% annually). Investors participating in a subsequent closing after the initial closing date generally will be assessed Management Fees retroactive to the beginning of the effective date of the Fund, with interest.

As is generally the case in private investment 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 Stepdown Date, Management Fees generally will be charged based on a formula tied to the amount of the relevant Fund’s aggregate capital commitments. Further, for certain Funds, after the Stepdown 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 written down (which shall be excluded in respect of any Portfolio Company to the extent written down below the total amount of investment contributions in such Portfolio Company)

(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-Stepdown Date Management Fees will not be calculated based upon such appreciated value, and will instead continue to be calculated based on the amount of such investment contributions. Conversely, the Governing Documents do not require Management Fees to be reduced or refunded following the occurrence of a writedown, decrease (including a significant decrease) in fair value or other event not constituting a complete realization, such as a reorganization, roll-over investment in connection with a sale or dividend distribution, except in the case of investments meeting the relevant Impaired Value Investment standard under the Governing Documents. For the avoidance of doubt, following the Stepdown Date, if the fair market value of an Impaired Value Investment is less than the total amount of investment contributions relating to such Impaired Value Investment, then the amount of Management Fees otherwise payable relating to such investment will be reduced solely to the extent the aggregate fair market value of all remaining investment(s) in such Portfolio Company is less than the amount of total aggregate investment contributions relating to all existing and former investments in such Portfolio Company.

As a result, and as is generally the case for private investment 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 or in circumstances where one or more other Fund(s) divest their respective investment(s) (including credit investments) in the relevant Portfolio Company, whether in whole or in part, in each case in circumstances that do not result in the complete disposition of the relevant Fund’s interest therein, and even in cases where the value of the Fund’s investment or the Fund’s ownership percentage in such investment has been reduced (including substantially reduced) as a result of such transaction.

In many circumstances, the post-Stepdown Date Management Fee base will include capitalized transaction-specific expenses of unrealized investments. Further, Management Fees generally will not be reimbursed or refunded under the Governing Documents in the event of realizations, dispositions or partial write-downs 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.

Performance Based Fees for Fund I, Fund II and Fund III

In addition to Management Fees, and as described in **Item 6** below, Advisory Affiliates receive Carried Interest in each of Fund I, Fund II and Fund III. The Carried Interest is set at the establishment of each respective Fund pursuant to negotiations with the investors in such Fund and is set forth in its Governing Documents. Generally, the applicable Advisory Affiliate is not entitled to Carried Interest unless the Investors have earned an 8% preferred return rate on contributed capital (commonly referred to as an 8%

“Hurdle”); if the Hurdle is met, the applicable Advisory Affiliate is generally entitled to receive Carried Interest in an amount equal to 20% of Fund profits. The earning or payment of Carried Interest is subject to certain limitations specified in the Governing Documents, and all or a portion of paid Carried Interest is subject to recovery by the Fund (for the benefit of the Investors) in certain circumstances as specified in the Governing Documents.

The existence of performance-based compensation has the potential to create an incentive for a General Partner to operate the relevant Fund in a riskier, more speculative or other manner that is less favorable to investors than it would otherwise make in the absence of such arrangement, although Sunstone Partners generally considers performance-based compensation to better align its interests with those of its investors, particularly in instances where the Governing Documents include terms requiring clawback or giveback of performance-based compensation amounts at the end of the relevant Fund’s life or at certain interim intervals.

Other Information

Sunstone Partners is generally permitted to exempt certain “affiliated partners” from payment of all or a portion of Management Fees and/or Carried Interest. Any such exemption from Management Fees and/or Carried Interest may be made by a direct exemption, a rebate by an Advisory Affiliate, or through other Funds which co-invest with a Fund. In general, the Management Fee offsets described above apply only with respect to the capital commitments of fee-paying investors.

B. Deduction of Fees

The Firm deducts Management Fees, Carried Interest and other fees and expenses (described below) applicable to any Fund directly from the Fund’s assets. Carried Interest is distributed to the relevant Advisory Affiliate when determined by such Advisory Affiliate, subject to the terms of the relevant Governing Documents. Investors do not have the ability to choose to be billed directly for fees incurred.

C. Other Fees and Expenses

Expenses

Except as otherwise provided herein, for example, in connection with certain services provided by the Portfolio Operations Group, the Firm pays certain ordinary and customary operating expenses of the Firm, including salaries of Firm personnel, wages, rent, communication costs, equipment and other overhead expenses. **Other operating expenses are paid by the respective Funds. The expenses borne by each Fund are set forth in the applicable Fund Governing Documents.** Each Fund will pay, or reimburse the General Partner for, all other fees, costs, expenses, liabilities and obligations relating to the Fund and/or its activities, business, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company or potential portfolio company), including all fees, costs, expenses, liabilities and obligations relating to or attributable to: (i) activities with respect to the structuring, organizing, negotiating, consummating, financing, refinancing, acquiring, bidding on, owning, managing, monitoring, operating, holding, hedging, restructuring, trading, taking public or private, selling, valuing, winding up, liquidating, or otherwise disposing of, as applicable, the Fund’s portfolio companies and its actual and potential investments (including follow-on investments) or seeking to do any of the foregoing (including any associated legal, financing, commitment, transaction or other fees and expenses payable to attorneys, accountants, investment bankers, lenders, third-party diligence software and service

providers, consultants and similar professionals in connection therewith and any fees and expenses related to transactions that may have been offered to co-investors), whether or not any contemplated transaction or project is consummated and whether or not such activities are successful; (ii) indebtedness of, or guarantees made by, the Fund, the General Partner or any “affiliated partner” on behalf of the Fund (including any credit facility, letter of credit or similar credit support), including interest with respect thereto, or seeking to put in place any such indebtedness or guarantee; (iii) financing, commitment, origination and similar fees and expenses; (iv) broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, private placement fees, sales commissions, investment banker, finder and similar services; (v) brokerage, sale, custodial, depository (including a depository appointed pursuant to AIFMD and/or a Swiss representative and paying agent appointed pursuant to the Swiss Collective Investment Schemes Act, as amended, or pursuant to any law, rule or regulation related to the implementation thereof), trustee, record keeping, account and similar services; (vi) legal, accounting, research (including amounts paid to market research, “expert network” or similar firms in connection with potential and existing investments), auditing, administration (including fees and expenses associated with the Fund’s third-party administrator and administration or reporting software, if any), information, appraisal, advisory, valuation (including third-party valuations, appraisals or pricing services), consulting (including consulting and retainer fees and other compensation paid to the Operations Group or any of its members, consultants performing investment initiatives and other similar consultants), tax and other professional services; (vii) reverse breakup, termination and other similar fees; (viii) directors and officers liability, errors and omissions liability, crime coverage and general partnership liability premiums and other insurance and regulatory expenses; (ix) filing, title, transfer, registration and other similar fees and expenses; (x) printing, communications, marketing and publicity; (xi) the preparation, distribution or filing of Fund-related or investment-related financial statements or other reports, tax returns, tax estimates, Schedule K 1s, or any other administrative, compliance or regulatory filings or reports (including Form PF and any filings or reports contemplated by the Alternative Investment Fund Managers Directive or any similar law, rule or regulation), or other information, including fees and costs of any third-party service providers and professionals related to the foregoing; (xii) developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software or other administrative or reporting tools (including subscription-based services) for the benefit of the Fund or the Investors; (xiii) any activities with respect to protecting the confidential or non-public nature of any information or data; (xiv) to the extent provided in the Fund’s Partnership Agreement, or otherwise approved by the General Partner in its sole discretion, activities or proceedings of the Advisory Board (including any costs and expenses incurred by representatives of the General Partner, the Advisory Board members, permitted observers and other Persons in attending or otherwise participating in meetings of the Advisory Board); (xv) indemnification (including any fees, costs and expenses incurred in connection with indemnifying any Investor or other person pursuant to the Fund’s Partnership Agreement and advancing fees, costs and expenses incurred by any such person in defense or settlement of any claim that may be subject to a right of indemnification pursuant to the Fund’s Partnership Agreement), except as otherwise set forth in the Partnership Agreement; (xvi) actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including any judgment, other award or settlement entered into in connection therewith; (xvii) any annual Investor meeting or other periodic, if any, meetings of the Investors and any other conference or meeting with any Investor(s); (xviii) except as otherwise determined by the General Partner in its sole discretion, any fee, cost, expense, liability or obligation relating to any alternative investment vehicle or its activities, business, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company of such alternative investment vehicle) that would be a Fund expense or organizational expense if it were incurred in connection with the Fund, and any expenses incurred in connection with the formation, management, operation, termination, winding up and dissolution of any feeder vehicles related to the Fund, in each

case to the extent not paid by the investors investing in such entities; (xix) the termination, liquidation, winding up or dissolution of the Fund; (xx) defaults by Investors in the payment of any capital contributions; (xxi) amendments to, and waivers, consents or approvals pursuant to, the constituent documents of the Fund, the General Partner and related entities and any alternative investment vehicle of the Fund, including the preparation, distribution and implementation thereof; (xxii) complying with any law or regulation related to the activities of the Fund (including regulatory expenses of the General Partner incurred in connection with the operation of the Fund) and legal fees and expenses; (xxiii) any litigation or governmental inquiry, investigation or proceeding involving the Fund, including the amount of any judgments, settlements or fines paid in connection therewith, except as set forth in the Fund's Partnership Agreement; (xxiv) any third-party experts, including independent appraisers, engaged by the General Partner in connection with the Fund considering, making or holding an investment in the same entity as one or more other Sunstone Partners Funds; (xxv) unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer by an Investor; (xxvi) any taxes, fees and other governmental charges levied against the Fund and all expenses incurred in connection with any tax audit, investigation settlement or review of the Fund (except to the extent that the Fund is reimbursed therefor by an Investor or such tax, fee or charge is treated as having been distributed to the Investors pursuant to the Fund's Partnership Agreement); (xxvii) distributions to the Investors and other expenses associated with the acquisition, holding and disposition of the Fund's investments, including extraordinary expenses; (xxviii) unreimbursed expenses and unpaid fees of the Operations Group or its members, employees or other persons engaged by the Operations Group; (xxix) compliance or regulatory matters related to the Fund, except as set forth in the Fund's Partnership Agreement; (xxx) any travel, lodging, meals or entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities; (xxxi) any Organizational Expenses; (xxxii) any placement fees; and (xxxiii) any other fees, costs, expenses, liabilities or obligations approved by the Advisory Board.

The above is a general description of fees and other expenses borne by the Funds. The fees and expenses paid by each Fund are described in detail in each Fund's Governing Documents. Actual expenses to be borne by each Fund vary from Fund to Fund. Investors are encouraged to refer to the applicable Governing Documents of each Fund. Where a co-invest vehicle is formed (such as the Fund I Co-Invest Vehicle), such entity generally will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Fee-Paying Funds.

Management and Transaction Fees from Portfolio Companies and Potential Portfolio Companies

Sunstone Partners or its members, directors, officers or personnel have received in the past, and are expected to receive in the future, directors', consulting, monitoring, advisory, transaction or break-up fees from Portfolio Companies and potential Portfolio Companies (collectively, "**Portfolio Transaction Fees**"). Certain Portfolio Transaction Fees reduce the Management Fees charged to the Funds, but not below zero, by an amount equal to 80% or 100% of the amount of such Portfolio Transaction Fees attributable to investors not designated as "affiliated partners" by the General Partner, as described in each Fund's Governing Documents. However other Portfolio Transaction Fees are retained by the recipient without reduction of Management Fees, to the extent provided in each Fund's Governing Documents. In addition, a Fund's Management Fee is permitted to also be offset by any private placement fees paid as set forth in a Fund's Governing Documents. In the event that the amount of such Transaction Fee reduction exceeds the Management Fee for a quarterly period, such excess shall be carried forward to reduce the Management Fee payable in following quarterly periods, as set forth in the applicable Governing

Documents. If a credit remains upon liquidation, the Firm is expected to retain the benefit, except where the Governing Documents require payment to be made to limited partners that have not elected to waive such amount (e.g., where an adverse tax consequence potentially will result). To the extent that any other fund or any other entity or individual co-invests alongside a Fund in any Portfolio Company investment, any Portfolio Transaction Fees will be allocated among the Fund and the co-investors in proportion to the cost of the investment or potential investment in the Portfolio Company held (or committed to be held) by each. Accordingly, the Fund will, in most cases, only benefit from the Management Fee reduction described above with respect to its allocable portion of any such Portfolio Transaction Fee and not the portion of any fee allocable to any other investor in a Portfolio Company.

To the extent that any Portfolio Transaction Fees do not result in a 100% offset to Management Fees (with the balance retained by us and/or our members, directors, officers or personnel), this constitutes a potential conflict of interest whereby the Firm and/or its members, directors, officers or personnel benefit at the expense of Portfolio Companies and thereby the Funds. These potential conflicts of interest and steps Sunstone Partners take to mitigate them are further described in **Items 8 and 11** below.

Operating Fees from Portfolio Companies

The Firm maintains a Portfolio Operations Group comprising personnel of the Firm, individuals affiliated with the Firm, consultants engaged by the Firm on a periodic basis, and other individuals that engage with the Firm frequently in respect of Sunstone Partners and Portfolio Companies. The Portfolio Operations Group is generally a group of non-investment professionals that provide portfolio operations-related services to the Firm, its Funds and its Portfolio Companies and/or otherwise provide advice and support to Sunstone Partners in connection with investment activities. Portfolio Operations Group members could receive fees, retainers, transaction fees, profits or equity interests in a portfolio company, profits or equity interests in one or more Funds or General Partners, remuneration from Sunstone Partners and/or its Funds or affiliates, or other compensation or other benefits as set forth in the applicable Governing Documents.

Portfolio companies of the Firm pay fees in connection with the services provided by the Firm's Portfolio Operations Group ("**Portfolio Operations Fees**"). These Portfolio Operations Fees include fees paid by Portfolio Companies directly to Sunstone Partners or Advisory Affiliates, fees paid by Portfolio Companies directly to the Portfolio Operations Group or affiliates, and/or fees paid by Portfolio Companies to individual members of the Portfolio Operations Group. Arrangements regarding Portfolio Operations Fees can be established with a Portfolio Company at the onset of the investment or can be entered into during the course of the investment holding period. Portfolio Operations Fees do not give rise to any reduction or offset of Management Fees payable to a Fund.

To the extent that any Portfolio Operations Fees do not result in a 100% offset to Management Fees (with the balance retained by Sunstone Partners, its Advisory Affiliates, the Portfolio Operations Group and/or their respective members or personnel), this constitutes a potential conflict of interest whereby Sunstone Partners, its Advisory Affiliates and/or their members or personnel benefit at the expense of Portfolio Companies and thereby the Funds. These potential conflicts of interest and steps Sunstone Partners takes to mitigate them are further described in **Items 8 and 11** below.

D. Prepayment of Fees

Management Fees are paid quarterly in advance. Management Fees for any partial quarter during the term of a Fund are pro-rated according to the actual number of days in such period. Investors are not permitted to redeem their investment, withdraw from their respective Fund prior to Fund termination, or transfer any of their interest rights or obligations under the Governing Documents of the respective Fund without the prior written consent of the respective Advisory Affiliate. Accordingly, there is no mechanism for refund or cessation of fees.

E. Compensation for Sale of Securities

Neither Sunstone Partners nor its Supervised Persons (as defined below in **Item 11**) accept compensation for the sale of securities or other investment products outside of their association with Sunstone Partners.

It is important that Investors refer to the relevant Governing Documents for each Fund in which it invests for a complete understanding of expenses and fees they pay or bear as a result of an investment in such Fund. The information contained herein is a summary only and is qualified in its entirety by such Fund Governing Documents.

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

Performance Based Fees

As described in **Item 5** above, an Advisory Affiliate is entitled to receive performance-based profit distributions (in the form of Carried Interest) from the Funds for which it serves as General Partner.

The existence of performance-based compensation (Carried Interest) has the potential to create an incentive for the General Partner to make more speculative investments on behalf of a Fund than it would otherwise make in the absence of such arrangement. Carried Interest is determined by the absolute returns of an investment (proceeds less amount invested) regardless of the holding period of an investment. Accordingly, Carried Interest creates an incentive to seek higher absolute returns from an individual investment even if that results in a lengthening of the holding period of the investment and a reduction in the IRR (internal rate of return over time) of the investment.

Sunstone Partners generally considers performance-based compensation to better align its interests with those of its investors. The Firm also believes that the foregoing conflict is mitigated by the Firm's desire and need to meet the goals of Investors, in order to continue to receive their support and investment in future Funds. The Firm seeks to evaluate each potential investment or divestment in a manner that the Firm considers to be in the best interest of each Fund, given the investment objective and investment strategy of each Fund, and the suitability, return opportunity and risk profile of each investment.

As a mechanism to address and mitigate conflict issues, each Fund's investment decisions, and decisions regarding allocation of opportunities among multiple relevant Funds, are made by an investment committee ("**Investment Committee**") consisting of senior investment personnel, and the Firm's regulatory compliance function monitors the Firm's investment process, Investment Committee decisions, and adherence to allocation and other policies.

With respect to Carried Interest and other interests in a Fund allocable to an Advisory Affiliate that are disproportionate to the amount of cash invested in the Fund by such Advisory Affiliate, the holding period required to claim the lower U.S. federal income tax rates generally applicable to long-term capital gains is currently more than three years. By contrast, gains recognized by Fund Investors generally qualify as long-term capital gains if the holding period is longer than one year. The existence of Carried Interest and the requirement to hold an investment for three years in order to qualify for long-term capital gains creates an incentive for an Advisory Affiliate to cause a Fund to hold investments longer than it might otherwise.

Additionally, to the extent that Sunstone Partners personnel are assigned varying percentages of Carried Interest from the Funds, such personnel are subject to potential conflicts of interest, to the extent they are involved in identifying investment opportunities as appropriate for Funds from which they are entitled to receive a higher Carried Interest percentage.

The Firm seeks to address the potential for conflicts of interest in these matters with allocation practices that provide that transactions and investment opportunities will be allocated to the Funds in accordance with each Fund's investment guidelines and Governing Documents, as well as other factors that do not include the amount of performance-based compensation received by Sunstone Partners or any personnel.

Side by Side Management

Sunstone Partners currently manages the following Funds: Fund I and the Fund I Co-Invest Vehicle; Fund II; and Fund III. This side-by-side management of multiple Funds presents a conflict to the General Partner in determining in which Funds to place a particular investment opportunity. As discussed above, the Fund I Co-Invest Vehicle is not charged a performance-based fee. Accordingly, there is an incentive to place more of an investment with a performance fee-paying Fund and less with the co-invest vehicle. Sunstone Partners believes that this conflict is mitigated because the Fee-Paying Funds are the primary investment vehicles for Investors, and the Fund I Co-Invest Vehicle's ability to co-invest alongside Fund I is subject to limitations set forth in the applicable Governing Documents and Sunstone Partners' investment allocation policy, including limitations on the amount of capital the Fund I Co-Invest Vehicle can raise and can invest.

Fund I and Fund II undertook a new, joint platform investment in 2020, as permitted by the Governing Documents of Fund I and Fund II. This was the initial investment by Fund II, and it is expected to be the final new platform investment by Fund I. The allocation of the investment between Fund I and Fund II was determined by Sunstone Partners in its discretion based on the remaining available capital of Fund I and the firm's future capital deployment projections.

In 2022, Fund II invested in a portfolio company ("**Joint PortCo**") originally backed by Fund I, in connection with a new, third party, investor acquiring control of Joint PortCo. In that transaction, (i) the new third party investor (now, the "**New Lead Investor**") acquired majority control of Joint PortCo through a new acquisition vehicle, (ii) Fund I rolled its existing investment in Joint PortCo into the new acquisition vehicle on the same terms as the New Lead Investor, and Fund I and Fund II each invested new capital in the new acquisition vehicle, again on the same terms as the New Lead Investor, and (iv) certain other existing investors in Joint PortCo sold their interests to the new acquisition vehicle (at the same valuation as the new investments by the New Lead Investor, Fund I and Fund II). The allocation between Fund I and Fund II of the new capital investment in the acquisition vehicle was determined by Sunstone Partners in its discretion based on the remaining available capital of Fund I and the firm's future capital deployment projections for Fund I.

In 2023, Joint PortCo effected a major acquisition funded by an additional equity infusion from existing investors and the incurrence of additional debt. The New Lead Investor, Fund II and Fund III each participated in the additional equity investment, all on the same terms. The allocation between Fund II and Fund III of the new equity investment was determined by Sunstone Partners in its discretion based on the remaining available capital of Fund II and the firm's future capital deployment projections for Fund II.

It is possible that Sunstone Partners may undertake additional investments by Fund III before Fund II has made its final new Portfolio Company investment. Sunstone Partners and its Advisory Affiliates may be faced with a decision as to what extent additional new Portfolio Investments are made by Fund II (thereby increasing the total dollars invested in Portfolio Companies by Fund II as a proportion of total Fund II commitments, but deploying Fund III capital less soon), versus Fund III (thereby deploying Fund III investments more quickly, but potentially resulting in a lower amount of dollars invested by Fund II as a proportion of total Fund II capital commitments), versus side by side investment(s) by Fund II and Fund III during a transition period. The situation described above would present a potential conflict of interest between the investors in Fund II and the investors in Fund III.

Please see **Items 8 and 10** of this Brochure for further discussion regarding conflicts of interest.

ITEM 7 – TYPES OF CLIENTS

Sunstone Partners provides investment advisory services to the Funds described in **Item 4** above. All Investors in the Funds generally must be "accredited investors" (as defined in Regulation D under the Securities Act), and, unless waived in the discretion of the General Partner, "**qualified clients**" (as defined in Rule 205-3 under the Investment Advisers Act of 1940, as amended (the "**Advisers Act**")) and "**qualified purchasers**" (as defined in section 2(a)(51)(A) of the Investment Company Act).

The Funds are permitted to include alternative investment vehicles established in order to permit one or more investors to participate in one or more particular investment opportunities in a manner desirable for tax, regulatory or other reasons. Alternative investment vehicles are subject to the provisions of Governing Documents of the Funds to which they relate. The Funds are also permitted to include certain co-investment vehicles, including the Fund I Co-Invest Vehicle, which invest side-by-side with the relevant Fund.

A minimum investment commitment is typically established for Investors in each Fund as set forth in the Fund's Governing Documents. The Advisory Affiliate of each Fund is able, in its sole discretion, permit investments below the minimum amounts set forth in the Governing Documents of such Fund.

ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

A. Investment Strategy

Growth Equity Stage Focus

Sunstone Partners primarily targets growth equity-stage investments in technology-enabled services

companies that the Firm believes have the potential to achieve significant additional revenue growth, profitability and market share through the application of greater capital resources and our strategic advice and operational guidance.

The Firm intends to make majority control investments in growth equity companies, with a lesser number of minority ownership investments, and intends to target high-growth industry sectors in which the Firm has experience and relationships.

Specialization in Technology-Enabled Services Companies

Sunstone Partners primarily targets investments in companies offering technology-enabled services to enterprises within certain segments that the Firm believes represent a strong intersection of current market opportunity and our investment team's expertise. These segments include:

- Cloud: The transition of key enterprise functions to cloud platforms.
- Cybersecurity: Protecting network integrity, enterprise infrastructure and consumer privacy.
- Healthcare IT: Opportunities to achieve greater efficiencies, reduced costs, and better outcomes.
- Marketing Services: Digital tools to manage the total customer lifecycle.

Technology-enabled services utilize a combination of proprietary software and human capital to automate business processes and improve operational efficiencies. The Firm believes the rise of technology-enabled services, driven by massive technology advances, has changed the way enterprise software and services are delivered. These advances include cloud computing and virtualization technologies, low-cost data storage, the increased ubiquity of mobile computing devices, the growth of big data and analytics, and the consumerization of IT.

Risk Management

Sunstone Partners seeks to undertake detailed investment and operational review processes prior to undertaking any new investment, in an effort to reduce investment risk and enhance the opportunity for investment success. The Firm's investment due diligence process typically encompasses market assessment; discussions with customers and potential customers; financial and tax due diligence including pipeline analysis and quality of earnings review; assessment of the quality of the company's products and technology; management reviews, references and background checks; operational due diligence; legal due diligence; and environmental, social and governance review. The Firm generally utilizes third party consultants, research services and other advisors as appropriate to supplement internal expertise and resources. There can be no assurances, however, that the Firm's due diligence will result in an accurate assessment of a company, uncover all issues or challenges, or lead to investment success. **See Risk Factors below.**

B. Information Regarding Conflicts of Interest

Allocation of Investments Among Funds

The Firm will pursue on behalf of each Fund appropriate investment opportunities that meet the investment criteria of the Fund, for the benefit of the Fund, subject to certain exceptions set forth in the Governing Documents. However, certain elements of the management of the Funds give rise to conflicts

of interest.

Allocations Among Funds

The Firm is permitted under the Governing Documents of each Fund to raise a successor investment fund (each, a “**Successor Fund**”) with similar investment objectives after certain criteria are met as set forth in the Governing Documents of the prior Fund. Investors in a Fund should recognize that, at such time as Sunstone Partners is permitted to raise a Successor Fund, the Principals and the investment team will continue to manage the earlier Fund’s investments, but also will focus attention on the successor Fund, meaning that the Principals and the investment team will focus on other activities and investments unrelated to the earlier Fund’s investments.

After a Successor Fund is raised, the Firm will in some cases have the opportunity to effect one or more new investments in both the earlier Fund and the Successor Fund simultaneously. Such cross-fund investments by more than one Fund managed by the Firm are permitted to the extent set forth in and subject to the limitations set forth in each Fund’s Governing Documents. This presents a potential conflict of interest. A Fund will generally experience better returns, all other things being equal, if it achieves a higher investment rate (total dollars invested in Portfolio Companies as a percentage of total called investor capital). Accordingly, an earlier Fund could benefit from the additional investment (or a greater proportion of the additional investment) being made by that Fund. On the other hand, investors in a Successor Fund could wish that such Successor Fund start investing earlier and, moreover, in some circumstances the Firm may not start to accrue Management Fees from the Successor Fund until such Fund makes an initial investment. There is therefore a potential for conflicts of interest in the allocation of a new investment opportunity between an earlier Fund and a Successor Fund.

In addition to conflicts between earlier Funds and Successor Funds that have similar investment objectives, the Principals of Sunstone Partners currently manage other investment funds, including Trident Capital funds, as well as individual personal investments. A potential new investment could be an appropriate investment for more than one such investment vehicle, even if the investment objectives generally are not identical. In such circumstances, the Principals will have a conflict of interest due to their duty to direct relevant investment opportunities to multiple investment funds that they manage.

In determining whether a Fund (including a Successor Fund) will participate in any relevant investment opportunity, Sunstone Partners generally will assess whether an investment opportunity is appropriate for each relevant fund based on the terms of such fund’s Governing Documents as well as other factors, including but not limited to investment restrictions and objectives (including those set forth in the Governing Documents, where applicable), operating guidelines, strategy, diversification limitations, risk profile, time horizon, tolerance for turnover, asset composition, cash level, life cycle, structure, applicable tax and regulatory considerations, investment restrictions, risk and other relevant factors, including agreements with co-sponsors. In doing so, the Firm will seek to allocate investment opportunities among funds in a manner that the Firm believes is fair and equitable to all funds (and, therefore, to the investors of each such fund), consistent with our contractual and fiduciary obligations, and the Firm will take into consideration factors such as those set forth above (as appropriate). However, these conflicts are difficult to manage and there can be no assurances that the Investors in any Fund will agree with the allocation decisions that we make.

The allocation of investment opportunities among the Fund and any of the other sponsored investment funds (including, among others, a Successor Fund) often will not be proportional. Therefore, such

allocations could be more advantageous to a Fund relative to one or all of the other investment funds, or vice versa. While Sunstone Partners will allocate investment opportunities in a way that it believes is fair and equitable to each Fund and fund, there can be no assurance that the actual allocation of an investment opportunity to any Fund or fund, if any, or terms on which the allocation is made, will be as favorable as they would be if any such conflicts of interest did not exist.

Decisions regarding allocation of opportunities among multiple relevant Funds, are made by the Investment Committee, and the Firm's regulatory compliance function monitors Investment Committee decisions. Through this approach, the Firm seeks to mitigate the conflicts that may be present in the situations described in this section.

Additionally, the Firm believes that the significant investment of the Principals in each Fund, as well as the Principals' Carried Interest incentive from each such Fund, operate to align, to some extent, the interest of the Principals with the interest of the Investors in each Fund. However, the Principals have or could have economic interests in other investment funds and investments and could be entitled to receive management fees and carried interests from such other funds or investments as well. Accordingly, it is possible that the potential conflicts in any situation cannot be fully resolved.

Additional Conflicts from Cross-Fund Investments

Additional conflicts of interest can arise if the Fund makes an investment in a Portfolio Company in which another Sunstone Partners Fund or other fund managed by the Principals also has or makes an investment. For instance, different funds may not invest through the same investment vehicles, have the same access to credit, or employ the same hedging or investment strategies as other invested funds. This could result in differences in price, investment terms, leverage and associated costs between a Fund and any other investing fund (including a Successor Fund) sponsored by Sunstone Partners. Different funds generally have different investment horizons and goals. Accordingly, there can be no assurance that a Fund and other invested fund(s) will wish to exit the Portfolio Company investment at the same time, or that they will exit the investment at the same time or on the same terms, and there can be no assurance that a Fund's return on such an investment will be the same as the returns achieved by any other investment fund participating in the transaction(s). Given the nature of these conflicts, there can be no assurance that the resolution of these conflicts will be beneficial to a Fund or Investor.

Allocation of Fees and Expenses

Sunstone Partners will likely face a variety of potential conflicts of interest when it determines allocations of fees and expenses to each Fund. Sunstone Partners will allocate fees and expenses in its discretion, in accordance with the Governing Documents of each Fund, and in a manner it believes is fair and equitable to each Fund under the circumstances and based on such factors as it deems relevant. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion, e.g., in determining whether to allocate pro rata based on number of funds or co-investors receiving related benefits or proportionately in accordance with asset size.

A Portfolio Company typically will reimburse Sunstone Partners, its Advisory Affiliates, the Portfolio Operations Group or third-party service providers retained at the discretion of Sunstone Partners or its Advisory Affiliates for expenses incurred in connection with the performance of services for such Portfolio Company (including, without limitation, travel expenses). Service provider expenses are required to be reimbursed whether or not there is overlap in expertise, function or services performed by Sunstone

Partners personnel. This subjects Sunstone Partners and its Advisory Affiliates to conflicts of interest because the Fund generally does not have an interest or share in reimbursements payable to any such other party, and the amount of such reimbursements over time could be substantial.

In addition, where a Fund holds a controlling interest in a Portfolio Company, the Fund typically has the right to appoint Portfolio Company board members (including current or former personnel of Sunstone Partners and affiliates or persons serving at their request), or to influence their appointment, and to determine or influence the determination of their compensation. Portfolio Company board members approve compensation and other amounts payable to Sunstone Partners, its Advisory Affiliates or the Portfolio Operations Group in connection with services provided to such Portfolio Company, and, except to the extent such amounts are subject to any Management Fee offset provision in the Governing Documents of a Fund, are in addition to Management Fee or Carried Interest. Sunstone Partners' authority to appoint or influence the appointment of Portfolio Company board members who are involved in approving compensation payable to Sunstone Partners, its Advisory Affiliates or the Portfolio Operations Group subjects Sunstone Partners, its Advisory Affiliates and any such Portfolio Company board appointees to potential conflicts of interest.

Affiliated Individuals, and Services Providers

Sunstone Partners is permitted to employ personnel with pre-existing ownership interests in or who were employed by Portfolio Companies controlled by Sunstone Partners Funds; conversely, former personnel or executives of Sunstone Partners could serve in significant management roles at Portfolio Companies or service providers recommended to Portfolio Companies by the Firm. Similarly, the Firm and its personnel maintain relationships with (or have the ability to invest in) financial institutions, service providers and other market participants, including managers of private funds, banks and brokers. 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, Sunstone Partners, Funds or potentially other funds and investment vehicles managed by the firm or persons affiliated with us. The Firm has a potential conflict of interest when a Fund recommends the retention or continuation of a third-party service provider to the Fund or a Portfolio Company owned by the Fund, for example if such recommendation is motivated by a belief that the service provider or its affiliate will continue to invest in one or more Funds advised by us, will provide to us information about markets and industries in which the Firm operates (or is contemplating operations) or will provide other services that are beneficial to us. The Firm would have a conflict of interest in making such recommendations, in that we have an incentive to maintain goodwill between us and existing and prospective Portfolio Companies of the Fund or other funds and investment vehicles that the Firm advises, while the products or services recommended could not necessarily be the best available to the Portfolio Companies held by a Fund.

Over the life of a Fund, the Firm generally expects to exercise discretion to recommend to the Fund or to a Portfolio Company that it contract for services with various service providers, potentially including, among others: (i) Sunstone Partners and its Advisory Affiliates (or another affiliate, which includes other Portfolio Companies or other Funds sponsored by the Firm) and at rates determined or substantively influenced by the Firm; (ii) an entity with which the Firm or its current or former personnel has a relationship or from which such persons derive a financial or other benefit; or (iii) an Investor in the Fund (or a limited partner of another fund) or its affiliates. This creates conflicts of interest, because even though the Firm intends to select service providers that we believe are aligned with our operational strategies and that will enhance Portfolio Company performance, the Firm has an incentive to recommend the related or other person because of their financial or business interest. Additionally, there is a

possibility that the Firm, because of such incentive or for other reasons (including whether the use of such persons could establish, recognize, strengthen or cultivate relationships that have the potential to provide longer-term benefits to Sunstone Partners or any current or future Fund), would favor such retention or continuation even if a better price and/or quality of service provider could be obtained from another person. Whether or not the Firm has a relationship with or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Other Portfolio Company Arrangements

Sunstone Partners and its Advisory Affiliates and personnel and persons selected by them will receive the benefit of “friends and family” and similar discounts from Portfolio Companies owned by the Fund under which such Portfolio Companies make their goods and/or services available at reduced rates.

Portfolio Operations Group

Sunstone Partners has an operations group (the “**Portfolio Operations Group**”) that currently includes or will in the future include one or more of (i) personnel of Sunstone Partners, (ii) other persons that have an economic interest in one or more Advisory Affiliates that serve as General Partner to one or more Funds, (iii) independent contractors that are retained by the Sunstone Partners or an Advisory Affiliate and/or (iv) other individuals that are periodically engaged with Sunstone Partners, our Advisory Affiliates and/or Portfolio Companies. Members of the Portfolio Operations Group are also expected to provide services to, or in connection with, a Fund or one or more Portfolio Companies in relation to diligence concerning potential investments or operations of Portfolio Companies and are expected to serve on boards of directors or other similar governing boards or in an executive capacity (“**Services**”).

The Portfolio Operations Fees and expenses associated with any such Services (collectively “**Operational Fees and Expenses**”) are expected to be commensurate with the Services provided and the capabilities and experience of the individual or individuals performing such Services. Such Operational Fees and Expenses that are paid or reimbursed by Portfolio Companies will be paid or reimbursed in one or more of the following ways, in the discretion of Sunstone Partners: (i) directly to the individual or individuals providing such Services, (ii) to Sunstone Partners, an Advisory Affiliate or another affiliate, or (iii) to a separate organization established by Sunstone Partners. Operational Fees and Expenses can include, based on the particular Services, cash fees, profits or equity interests in a Portfolio Company, a share of proceeds upon sale of a Portfolio Company and/or other incentive-based compensation to such members of the Portfolio Operations Group, which will be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of such members of the Portfolio Operations Group, a percentage of the value of the Portfolio Company, the amount of capital invested in such Portfolio Company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such Portfolio Company. Any such Operational Fees and Expenses will not offset the Management Fee payable by the respective Fund. Because Operational Fees and Expenses do not offset any Management Fees, but Portfolio Transaction Fees collected by the Firm are subject to offset to the extent set forth in the applicable Governing Documents, the Firm faces potential conflicts of interest in determining whether services provided by, among others, personnel affiliated with the Firm are Services provided by the Portfolio Operations Group (and the fees charged are Operational Fees and Expenses) or advisory services provided by the Firm (and the fees charged are Portfolio Transaction Fees).

To the extent that the Portfolio Operations Group or members thereof 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 Portfolio Operation Group's services at a time when fewer portfolio companies or Funds make use of such the Portfolio Operation Group. Under many of these arrangements, including where the Portfolio Operation Group is paid a flat fee or formula-driven fee (such as where there is a specified minimum or maximum fee, where the fee is based on annual revenues or another financial metric, or some combination of the foregoing), there can be no assurance that the amount of compensation paid in a particular year with respect to any Portfolio Company or in total will be proportional to the amount of hours worked or the amount or tangible work product generated by the Portfolio Operation Group. In certain cases, including where a Fund does not own a controlling interest in a portfolio company, the portfolio company, its management and/or equity holders potentially will not agree to engage and/or bear the costs of the Portfolio Operation Group. In such cases, where the relevant General Partner believes the services of the Portfolio Operation Group will benefit a portfolio company, it is authorized to cause the Fund to bear such costs directly, resulting in the Fund bearing a disproportionate share of those costs vis-à-vis other equity holders of a portfolio company, notwithstanding that other equity holders in that portfolio company will receive the benefit of any returns that result from use of the Portfolio Operation Group. Although Sunstone Partners seeks to retain the Portfolio Operation Group with a view to reducing costs to portfolio companies (and, ultimately, the Funds) for such services, and/or improving portfolio company performance, a number of factors may result in limited or no cost savings from such retention. 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.

Additionally, Portfolio Companies of a Fund are expected to provide opportunities for members of the Portfolio Operations Group (including both personnel of the Firm and non-employee members of the Portfolio Operations Group) to invest directly in the applicable Portfolio Company, subject to any limitations set forth in the Governing Documents of the applicable Fund. Portfolio Companies are also expected to reimburse costs and expenses incurred by such members that are not otherwise paid by Sunstone Partner or a Fund. Members of the Portfolio Operations Group also may receive remuneration from Sunstone Partners, our Advisory Affiliates or Funds and/or be entitled to other forms of compensation, including equity grants in Portfolio Companies. Such investment opportunities, reimbursements and other compensation paid to a member of the Portfolio Operations Group will not offset Management Fees.

It is expected that certain members of the Portfolio Operations Group will be granted a limited partnership or profit interest in Sunstone Partners, one or more Advisory Affiliates, or one or more Funds. Although the Firm's intent in establishing and maintaining the Portfolio Operations Group is to improve Portfolio Company performance and reduce costs to Portfolio Companies (and, ultimately, the Fund), a number of factors may result in limited or no cost savings from such retention. In addition, while the Firm intends that Portfolio Operations Group members will provide a level of service at a value generally consistent with other relevant market alternatives, 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.

Operational Fees and Expenses

Payment of Operational Fees and Expenses by Portfolio Companies, as described above and in **Item 5** of this Brochure, has the potential to create a conflict of interest because such payments create an incentive for the Firm to cause a Fund to invest in a Portfolio Company that will pay to us such Operational Fees and Expenses. It also creates an incentive for the Firm to have a Portfolio Company engage the Portfolio Operations Group and pay Operations Fees and Expenses to it, when an alternative service provider may

be equally or more qualified and/or less expensive. Sunstone Partners will attempt to mitigate these conflicts of interest by generally seeking to ensure that such Operational Fees and Expenses are, in the good faith opinion of Sunstone Partners, in accordance with prevailing market rates in the relevant industry.

Portfolio Transaction Fees

As described in **Item 5** above, in certain cases Sunstone Partners, an Advisory Affiliate, a Principal or another affiliate is permitted to receive compensation paid as advisory, transaction or break-up fees from Portfolio Companies and potential Portfolio Companies (Portfolio Transaction Fees), including such fees paid for financial advisory and similar services provided to the Portfolio Companies. Payment of such Portfolio Transaction Fees has the potential to create a conflict of interest because it creates an incentive for the Firm to cause a Fund to invest its capital in a Portfolio Company that will pay such fees, or greater such fees, to the Firm. The Firm seeks to mitigate such potential conflicts of interest by requiring that Portfolio Transaction Fees received by Sunstone Partners, an Advisory Affiliate or an employee reduce by 80% or 100%, depending on the Governing Documents of each Fund, the Management Fees that would otherwise be paid by the Fund.

Advisory Affiliates' Equity Interests in Portfolio Companies

As explained in **Item 10** below, the Advisory Affiliates, which are owned in part by the Principals of the Firm, serve as the General Partners of the Funds. These Advisory Affiliates commit capital to each Fund, and as a result of these capital commitments, related persons of Sunstone Partners acquire indirectly an indirect equity interest in each Portfolio Company.

Sunstone Partners' Advisory Affiliates maintain investments directly in the Funds. The Firm's Principals and other personnel maintain investments in, and/or participate in Carried Interest distributions through, such Advisory Affiliates. The fact that Sunstone Partners' Advisory Affiliates and their principals have financial interests directly or indirectly in the Funds gives rise to a conflict in that it could cause Sunstone Partners to make different investment decisions than if such parties did not have such financial ownership interests. However, Sunstone Partners believes that these financial interests in fact align the incentives of Sunstone Partners and its Advisory Affiliates with the incentives of Investors.

Co-Investments by Sunstone Partners and Advisory Affiliates

Sunstone Partners or its Advisory Affiliates have formed and expect in the future to form, special purpose vehicles to co-invest in some of the Portfolio Companies. Further, in certain cases, Sunstone Partners' Advisory Affiliates or their principals will have an investment interest in such special purpose vehicles. As noted in **Item 4** above, co-investment opportunities will not be offered equally to all Investors. The Allocation of co-investment opportunities, which are expected to be made to one or more persons for any number of reasons as determined by the Firm in its sole discretion, may not be in the best interests of the Fund or any individual Investor. The Firm's procedures permit it to take into consideration a variety of factors in making such determinations, which will potentially include factors that benefit the Firm, such as the likelihood that an investor may invest in a future fund sponsored by the Firm or its affiliates.

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 surrendering 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.

Generally, a Fund may not invest in a Portfolio Company in which an affiliated person holds an interest without prior approval of such Fund's Advisory Board or Investors. This type of investment has not occurred to date with respect to any Fund but could occur in the future with the appropriate approval.

Sunstone Partners also has a co-investment program enabling members of the Firm's investment team to co-invest in new platform investments undertaken by Funds. The general parameters of the program are as follows: (i) the Firm determines which classes of personnel or individuals are eligible to participate in the program, in accordance with program criteria and legal requirements, (ii) each eligible individual may elect to purchase a specified dollar amount of securities (within parameters established by the Firm) in each new platform investment undertaken by a Fund during the individual's employment, (iii) each participant must invest that same elected amount in each and every new platform investment undertaken by a Fund during their employment, (iv) in any such investment, each participant purchases the same security as the Fund, at the same time and on the same terms, (v) a participant may withdraw from the program at any time but thereafter generally may not reenter the program, and (vi) a participant ceases to have the right to participate in new investments following termination of employment. A "new platform investment" is a Fund's initial investment in a portfolio company only, and does not include subsequent follow-on investments by the Fund in any such company. Program terms are subject to change at any time at the discretion of the Firm.

Cross Trades

Sunstone Partners reserves the right on rare occasions to participate in "principal transactions" or "cross trades." Principal transactions occur where an adviser (or advisory affiliate of the adviser), acting as principal for its own account, buys securities from or sells securities to any client. Cross transactions occur where a person acts as an investment adviser in relation to a transaction in which the adviser, or an affiliate of the adviser, effects a transaction or acts as a broker for both the client and for another person on the other side of the transaction.

In such cases, Sunstone Partners would proceed with such a transaction only if the Firm were to first determine that such a transaction is in the best interests of each of the Funds involved, is in compliance with the requirements of Section 206(3) of the Advisers Act (or similar applicable law) and permitted by the Governing Documents of the involved Funds (including any consent provisions from the Advisory Board or Investors, as applicable). Further, cross transactions are expected to arise in the context of automatic or other re-balancing of investments among parallel investing entities, and in such

circumstances Sunstone Partners generally will not seek a fairness opinion or advisory committee consent given that such transactions typically are effected close in time to the initial Fund's investment or pursuant to authorizing provisions in the relevant Governing Documents.

Carried Interest and Management Fee Compensation

As described in **Item 6** above, the Firm or its Advisory Affiliates receive Management Fees and a Carried Interest allocation from the Funds. Carried Interest is earned based on a percentage of net profits. This will potentially create an incentive for us to cause a Fund to make riskier or more speculative investments or to hold an investment longer than otherwise would be the case.

Management Fees are payable without regard to the overall success or income earned by the Funds. This creates an incentive for the Firm to raise or otherwise increase capital commitments to a higher level than would be the case if we were receiving a lower or no Management Fee. In addition, because a Fund has a fixed investment period, after which capital from Investors generally may only be drawn down in limited circumstances, and because the Management Fee is at certain times during the life of the Fund calculated based upon the invested capital of the Fund, the Management Fee structure creates an incentive for the Firm to deploy capital over a different period of time than we might otherwise have done.

The Governing Documents provide Sunstone Partners 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 the Firm's compensation. In making such determinations, the Firm is subject to potential conflicts of interest. For example, the potential to earn additional compensation creates an incentive for the Firm 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. The Firm 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, the Firm 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, the Firm is incentivized to pursue such transactions. Additionally, the amount of carried interest owed to the relevant General Partner is dependent upon achieving an overall minimum IRR "hurdle rate," and is dependent on the amount and timing of investment dispositions, and in certain instances is dependent on determinations that investments are Impaired Value Investments, such that 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.

The Firm'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 the Firm'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 the Firm 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.

Sunstone Partners seeks to address the above conflicts through regular monitoring of the Funds' portfolios for consistency with objectives, strategies, and target capacity. Further, the Firm carefully considers the risks involved in any investments and we provide extensive disclosure to Investors regarding the potential risks that come with an investment in a Sunstone Partners Fund. As discussed in **Item 11** below, the Code of Ethics of the Firm (the "**Code**") provides guidelines for identifying and addressing conflicts of interest and requires Covered Persons (as defined in the Code) to place the interests of the Funds above their own or those of Sunstone Partners, and all Covered Persons are required to acknowledge their receipt and understanding of the Code.

In addition, certain Funds have an Advisory Board consisting of representatives of certain Investors in the respective Fund. The Advisory Board advises and counsels us on issues relating to conflicts of interest referred to them and matters specifically set forth in a Fund's Partnership Agreement. Sunstone Partners typically consults with the Advisory Board of a Fund if a significant or material conflict of interest described in this **Item 8** arises with respect to such Fund.

Direct Investments by Principals

Sunstone Partners' Covered Persons are permitted to make investments, directly or indirectly, for their personal accounts in publicly-traded Portfolio Companies, subject to compliance with the pre-clearance guidelines of the Firm's Code of Ethics/ Insider Trading Policy. Generally, this policy requires a pre-clearance of any proposed trade in any company on our Restricted List, which includes all Portfolio Companies of the Firm with publicly-traded securities as well as other companies in which we may hold inside information or otherwise deem appropriate for the list. Covered Persons are also permitted to make investments in privately-held Portfolio Companies in certain circumstances and subject to the limitations described in a Fund's Governing Documents. Such investments may be made at times other than the time of investment by a Fund. Such investments create a potential conflict of interest in that they give Sunstone Partners or an Advisory Affiliate an incentive to cause a Fund to invest its capital in a Portfolio Company in which it would not otherwise invest, or to dispose of its investment in a Portfolio Company at a time or for a price which it would not otherwise recommend for the Fund absent such Covered Person's ownership of or ability to invest in such Portfolio Company. The Governing Documents include limitations on the ability of certain Covered Persons to make such investments.

Sunstone Partners enforces the foregoing policy and manages the potential conflicts of interest inherent in Covered Person personal trading by enforcement of its Code, which contains pre-clearance and reporting guidelines for Supervised Persons.

As indicated above, Covered Persons' transactions in certain **"Reportable Securities"** (as defined in Section 202(a)(18) of the Advisers Act) must be pre-cleared with the Chief Compliance Officer. Further details regarding the Firm's Insider Trading Policy are available to Investors upon request.

Sunstone Partners maintains a **"Restricted List."** Issuers on the Restricted List include portfolio investments of Funds, public issuers about which any Supervised Person has material non-public information, and any other security placed on the list at the discretion of the Chief Compliance Officer. Covered Persons are generally prohibited from trading securities on the Restricted List without the prior written consent of the Chief Compliance Officer so that the Chief Compliance Officer may confirm that the proposed investment meets the requirements of the applicable Governing Documents, the Code of Ethics and the Insider Trading Policy. If there are no potential conflicts of interest, pre-clearance requests may be approved on a case-by-case basis.

In addition, Sunstone Partners receives transaction and holdings reports in accordance with Advisers Act Rule 204A-1. The Chief Compliance Officer or his or her designated person reviews Covered Persons' personal transaction and holdings reports to make sure each Covered Person is conducting his or her personal securities transactions in a manner that is consistent with the Code.

Carried Interest

Advisory Affiliates serving as the General Partners of Funds are entitled to receive distributions and allocations of cash and items of income, gain, loss and deduction that, relative to their respective capital contributions to the Funds, are proportionately greater than the corresponding distributions and allocations to the limited partner Investors of such Funds. Solely with respect to the General Partner's Carried Interest and other interests in a Fund allocable to the General Partner that are disproportionate to the amount of cash invested by the General Partner, the holding period required to claim the lower U.S. federal income tax rates generally applicable to long-term capital gains is more than three years. By contrast, the character of gain recognized by limited partner Investors generally would qualify as long-term if the holding period were longer than one year. The existence of the General Partners' Carried Interest may create an incentive for a General Partner to make more speculative investments on behalf of the Fund it controls than it would otherwise make, or to cause such Fund to hold investments longer than it would otherwise, in the absence of such performance-based arrangements.

It is difficult to predict the circumstances under which one or more of the foregoing conflicts could become material, but it is possible that any such conflict could require a General Partner to refrain from making all or a portion of any investment or disposition in order to comply with its fiduciary duties or other applicable laws.

The foregoing list of potential and actual conflicts of interest does not purport to be a complete enumeration of the conflicts attendant to an investment in a Fund. Additional conflicts may exist that are not presently known to the Sunstone Partners, its Advisory Affiliates or their respective affiliates, or that are deemed immaterial.

C. Risk Factors

An investment in a Fund involves a significant degree of risk that Investors should be prepared to bear. There can be no assurance that a Fund's performance objectives will be achieved or that there will be any return of capital. The timing of profit realization, if any, is highly uncertain. The environment for private equity investments is increasingly competitive, and an Investor should only invest in a Fund if the Investor can withstand the liquidity constraints of an investment in such Fund and a total loss of its investment.

No guarantee or representation is made that a Fund's investment program will be successful. Please note that all references to Sunstone Partners in this **Item 8** include applicable Advisory Affiliate(s). The following is a non-exhaustive summary of additional material risks associated with an investment in a Fund:

1. **Business Risks.** Our investment portfolio is expected to consist primarily of securities issued by privately held companies, some of which are unseasoned, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.
2. **Growth Equity Transactions.** We intend to target for investment growth-equity investments. Growth-equity investments frequently involve a higher degree of business and financial risk than more established companies, which can result in substantial or total loss. The companies in which we invest may require substantial resources and efforts to enhance management teams, improve and expand marketing, sales and customer retention, optimize the company's financial model, improve the new product pipeline, develop or implement next generation software solutions that support the business, and pursue accretive acquisitions. Growth-equity companies may operate at a loss or with substantial variations in operating results from period to period, and some will need substantial additional capital to support additional research and development activities or expansion, to achieve or maintain a competitive position, and/or to expand or develop management resources. In addition, the growth of these companies may require significant time and effort resulting in a longer investment horizon than can be expected with lower risk investment alternatives. Growth-equity companies typically face intense competition, including from companies with greater financial resources, better brand recognition, more extensive development, marketing and service capabilities and a larger number of qualified managerial and technical personnel. Such investments can experience failure or substantial declines in value at any stage. There is no assurance that such investments by a Fund will be successful.
3. **Technology-Enabled Services Focus.** We intend to focus our investments on technology-enabled services companies, particularly within the vertical segments of healthcare IT, cloud computing, cybersecurity and marketing services. Concentration in limited industries presents risks greater than those generally associated with diversified investment funds, including significant fluctuations in returns. The sectors we intend to address are challenged by various factors, including changing customer needs and preferences, low market entry costs and therefore the continual emergence of new participants and competing solutions, consolidation and strengthening of existing market participants, potentially high customer acquisition costs, potentially high customer turnover, and potentially low utilization rates of service personnel. There is no assurance that solutions offered by our Portfolio Companies will continue to meet customer needs, that they will not be rendered obsolete or adversely affected by competing solutions, that they will be able to achieve the customer acquisition cost and customer retention

targets necessary to be or remain profitable, that Portfolio Companies will be able to maintain adequate pricing in the face of competition, or that Portfolio Companies will not be adversely affected by other challenges.

4. *Concentration of Investments.* Our investments will not be broadly diversified. We will participate in a limited number of investments and we expect that we will undertake multiple investments in individual industries or industry segments or within a short period of time. As a result, each Fund's investment portfolio will 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 by any Fund is less than the targeted amount, the Fund may invest in fewer Portfolio Companies and thus be even less diversified.
5. *Investment in Junior Securities.* We expect to invest in companies that have incurred or are permitted to incur indebtedness, or that may issue equity securities that rank senior to Fund investments. Accordingly, the securities in which a Fund invests will for some or all of our Portfolio Companies be among the most junior in the company's capital structure and, thus, subject to the greatest risk of loss. Indebtedness and senior securities, by their terms, may provide that their holders are entitled to receive payments of dividends, interest or principal on or before the dates on which payments are to be made in respect of Fund investments. Generally, there will be no collateral to protect a Fund's investment once made. In the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a company in which an investment is made, creditors or holders of securities ranking senior to a Fund's investment in such Portfolio Company typically would be entitled to receive payment in full before distributions could be made in respect of Fund investments. After repaying creditors and senior security holders, the company's remaining assets may not be sufficient for repayment of amounts owed in respect of Fund investments. To the extent that any assets remain, holders of claims that rank equally with the Fund's investments would be entitled to share on an equal and ratable basis in distributions that are made out of those assets.
6. *Need for Follow-On Investments.* Following our initial investment in a given Portfolio Company, we will at times have the opportunity or the need to increase our investment in the company (whether for opportunistic reasons, to fund the needs of the business, as an equity cure under applicable debt documents, or for other reasons). There is no assurance that a Fund will make follow-on investments or that the Fund will have sufficient funds to make all or any of such investments. Any decision by a Fund not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a Portfolio Company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made). Additionally, any such failure to make such investments will at times result in a lost opportunity for the Fund to increase its participation in a successful Portfolio Company or the dilution of the Fund's ownership in a Portfolio Company if a third party invests in such Portfolio Company. In addition, any such investment by new investors could dilute meaningfully the Fund's ownership interest and possibly its control interest in a Portfolio Company.
7. *Leveraged Investments.* A 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 Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of such Fund's investments in the leveraged Portfolio 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 Fund. In the event any Portfolio Company cannot generate adequate cash flow to meet its debt service, a Fund may suffer a partial or total loss of capital invested in the Portfolio Company, which could adversely affect the returns of such Fund. Furthermore, should the credit markets be limited or costly at the time a Fund determines that it is desirable to sell all or a part of a Portfolio Company, the Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Furthermore, the companies in which a Fund invests generally will not be rated by a credit rating agency. Except where otherwise required by the relevant Governing Documents, a Fund will not be obligated to borrow on behalf of a Portfolio Company, even in circumstances where the Fund's creditworthiness would permit borrowing at a lower rate than is available to the Portfolio Company.

A 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 Fund would be compensated for providing such guarantee or exposure to such liability. The use of leverage by a Fund generally also will result in fees, interest expense and other costs to such Fund that may not be covered by distributions made to such 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 Fund generally is permitted to incur leverage on a joint, several, joint and several or cross-collateralized basis with one or more other Funds and entities managed by Sunstone Partners or any of its affiliates, including through 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 Fund will disproportionately bear the risk and/or costs of leverage arrangements. In addition, to the extent a Fund incurs leverage (or provides such guaranties), such amounts are permitted to be secured by Commitments made by such Fund's investors and such investors' contributions may be required to be made directly to the lenders instead of such Fund.

8. To the extent a 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 Fund. As a result, the relevant Fund's portfolio could become more

concentrated with respect to such investment than initially expected or otherwise provided for under the Fund's investment limitations, certain of which exclude bridge financing investments. Bridge Financings. We expect that a Fund will provide short-term bridge loan financing ("**Bridge Financing**") to one or more Portfolio Companies to facilitate our investment in the company. It is possible that all or a portion of a Bridge Financing will not be recouped within the time period specified in the applicable Governing Documents, in which case the investment would be treated as a permanent investment of the Fund. As a result, the Fund's portfolio could become more concentrated with respect to such investment than initially expected or otherwise provided for under the Fund's investment limitations, certain of which exclude Bridge Financing investments. The interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by the Fund, and the loans may not be collectable. Moreover, such Bridge Financings could yield returns commensurate with fixed-income securities, which are generally lower than targeted returns for equity investments such as those targeted by the Fund.

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

11. Reserves. As is customary in the industry, we often establish reserves at a Fund for follow-on investments in Portfolio Companies, operating expenses (including management fees), Fund liabilities, and other matters. Estimating the appropriate amount of such reserves that may be needed is difficult, especially for follow-on investment opportunities, which are directly tied to the success and capital needs of Portfolio Companies. Inadequate or excessive reserves could impair the investment returns to a Fund's Investors. If reserves are inadequate, a Fund may be

unable to take advantage of attractive follow-on or other investment opportunities or to protect its existing investments from dilutive or other punitive terms associated with so-called “pay-to-play” or similar provisions. If reserves are excessive, such Fund may decline attractive investment opportunities or hold unnecessary amounts of capital in money market or similar low-yield accounts.

12. *Competitive Investing Environment.* The marketplace for growth equity investing has become increasingly competitive. Involvement by financial intermediaries has increased, substantial amounts of capital has been invested in investment funds dedicated to making investments in the growth equity sector, and the competition for investment opportunities is at high levels. Some of the Funds’ competitors have greater financial resources, personnel and other resources than Sunstone Partners. There can be no assurances that we will be able to identify an adequate number of attractive acquisition candidates and investment opportunities or successfully close such investments. It is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified, nor that the investments we are able to secure will be as attractive as we seek.
13. *Dynamic Investment Strategy.* While Sunstone Partners generally intends to seek attractive returns primarily through making control-oriented, growth equity investments and/or private equity investments as described herein, each Fund has the right under its Governing Documents to pursue additional investment strategies, subject to certain limitations in the Governing Documents and Investor side letter agreements. Accordingly, a Fund may modify or depart from its initial investment strategy, investment process and investment techniques as it determines appropriate. A Fund is permitted to pursue investments outside of the industries and sectors in which the investment team has previously made investments.
14. *Impact of Government Regulation, Reimbursement and Reform.* Certain industry segments in which we intend to invest are (or may become) (i) highly regulated at both the federal and state levels in the United States and internationally and (ii) subject to frequent regulatory change. Certain segments may be highly dependent upon various government (or private) reimbursement programs. While we intend to invest in companies that seek to comply with applicable laws and regulations, the laws and regulations relating to certain industries are complex, may be ambiguous or may lack clear judicial or regulatory interpretive guidance. An adverse review or determination by any applicable judicial or regulatory authority of any such law or regulation, or an adverse change in applicable regulatory requirements or reimbursement programs, could have a material adverse effect on the operations and/or financial performance of the companies in which the Fund invests.

Additionally, the SEC has proposed and enacted significant rules that will impact the business of Sunstone Partners and the 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 Sunstone Partners and its affiliates, the Funds and/or their investments. In addition, the Funds are expected to bear significant increased costs as a result of such rules, including increased costs relating to investor reporting and disclosures, certain of which increased costs comprise expenses payable by the Funds. 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 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.

15. *Illiquidity; Lack of Current Distributions.* An investment in a Fund should be viewed as an illiquid investment. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating a Fund (including the Management Fee payable to the General Partner of the Fund) may exceed its income, thereby requiring that the difference be paid from the Fund's capital, including unfunded capital commitments.
16. *Limited Transferability of Fund Interests.* There will be no public market for interests in the Funds, and none is expected to develop. There are substantial restrictions upon the transferability of Fund interests under the Governing Documents and applicable securities laws. Fund interests are not redeemable, and withdrawals of Fund interests generally are not permitted.
17. *Restricted Nature of Investment Positions.* There generally will be no readily available market for Fund investments, and therefore most of a Fund's investments will be difficult to value. Certain investments may be distributed in kind to the investors in the Fund and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such investors. After a distribution of securities is made to Investors in a Fund, Investors may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such investors may be lower than the value of such securities determined pursuant to the Governing Documents, including the value used to determine the amount of Carried Interest earned with respect to such investment.
18. *Reliance on the General Partner and Portfolio Company Management.* Sunstone Partners will have sole discretion over the investment of the capital committed to Funds as well as the ultimate realization of any profits. Limited Partner investors will not receive the detailed financial information regarding Portfolio Companies that will be available to Sunstone Partners. Accordingly, Investors will not have the opportunity to evaluate the relevant economic, financial and other information that will be utilized by us in our selection of investments. As such, the pool of funds in each Fund represents a blind pool of funds. Investors in each Fund will be relying on the Fund's General Partner to identify, structure and implement investments consistent with the applicable Governing Documents, investment objectives, and policies and to conduct the business of the Funds. The Investors will not make decisions with respect to the management, disposition or other realization of any investment made by the Funds or other decisions regarding the Funds' business and affairs. A Fund's profitability will depend largely upon the business and investment acumen of the Principals and investment team of Sunstone Partners. The loss or reduction of service of one or more of such Principals could have an adverse effect on the Fund's ability to realize its investment objectives. In addition, the Principals currently, and will in the future, manage other investment funds besides the Fund and the Principals will need to devote substantial amounts of their time to the investment activities of such other funds, which will pose

conflicts of interest in the allocation of the time of the Principals. Investors generally have no right or power to take part in the management of a Fund, and as a result, the investment performance of the Fund will depend on the actions of the Fund's General Partner. In addition, certain changes in the General Partner or circumstances relating to the General Partner may have an adverse effect on the Fund or one or more of its Portfolio Companies including potential acceleration of debt facilities.

Although the General Partner of each Fund will monitor the performance of each Fund investment, it will primarily be the responsibility of each Portfolio Company's management team to operate such Portfolio Company on a day-to-day basis. Although each Fund generally intends to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the management of such companies will be able or willing to successfully operate a company in accordance with the Fund's objectives.

19. Prior History is not Indicative of Performance. There can be no assurance that a Fund will achieve results similar to those obtained by other funds previously managed by Sunstone Partners or its Principals, nor that individual investments will achieve results similar to those attained by previous investments of Sunstone Partners and its Principals. In addition, a Fund's investments will differ from previous investments made by Sunstone Partners or its Principals in a number of respects, including target return levels, level of risk associated with a particular investment, amount invested in a particular company, types of companies within a particular industry sector, amount of leverage used, structure, and holding period.
20. Partnership Expenses. In addition to the Management Fees and the Carried Interest allocations, each Fund will pay and bear all expenses related to its operations other than such expenses as are borne by Sunstone Partners under the Governing Agreements or are reimbursed by Portfolio Companies. Investors will indirectly bear these expenses based on their pro rata commitments to such Funds. The amount of Fund expenses will be substantial and will reduce the actual returns realized by Investors on their investments in the Funds (and may, in certain circumstances, reduce the amount of capital available to be deployed by the Funds in investments). Fund expenses include recurring and regular items, as well as extraordinary expenses for which it may be difficult to budget or forecast. As a result, the amount of Fund expenses ultimately called or called at any one time may exceed expectations. As described further in the applicable Governing Documents, Fund expenses encompass a broad swath of expenses and include organizational costs (subject to any limit set forth in the Governing Documents), and most expenses of making investments and operating the Funds. Expenses to be borne by Sunstone Partners are limited to only those items specifically enumerated in the Governing Documents, and all other costs and expenses in operating the Funds will be borne by the Investors. In this regard, broken deal expenses will also be borne by the Funds. See **Item 5 – Fees and Compensation** for further detail regarding costs borne by the Funds.
21. Conflicting Investor Interests. Investors typically have conflicting investment, tax, and other interests with respect to their investments in the Fund, including conflicts relating to the structuring of investment acquisitions and dispositions. Conflicts may arise in connection with decisions made by the General Partner of a Fund regarding an investment that may be more beneficial to one Investor than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments, the General Partner of a Fund generally will consider the investment and tax objectives of the Fund and its partners as a whole, not the investment, tax, or other objectives of any Investor individually.

22. *Potential Adverse Tax Consequences.* Sunstone Partners will generally structure its Portfolio Company investments in a manner that is intended to achieve a Fund's investment objectives. There can be no assurance that the structure of any investment will be tax efficient for any particular Investor or that any particular tax result will be achieved. In addition, tax reporting requirements may be imposed on Investors under the laws of the jurisdictions in which Investors are liable for taxation or in which a Fund makes Portfolio Company investments. Prospective Investors should consult their own professional advisors with respect to the tax consequences to them of an investment in a Fund under the laws of the jurisdiction in which they are liable for taxation. Furthermore, a Fund's returns in respect of its investments may be reduced by withholding or other taxes imposed by jurisdictions in which such Fund's Portfolio Companies are organized.
23. *Tax Information Exchange Regimes; FATCA Withholding Tax on Certain Non-U.S. Entities.* The United States, pursuant to the "**Foreign Account Tax Compliance Act**" or "**FATCA**" has entered into numerous intergovernmental agreements with various jurisdictions concerning the exchange of information as a means to combat tax evasion. The United Kingdom has entered into similar agreements with various jurisdictions. Other countries are also considering such agreements, and the OECD has proposed a worldwide tax information exchange standard that is likely to be adopted by many countries for years after 2015. One or more of these information exchange regimes are likely to apply to a Fund and/or alternative investment vehicles and may require the General Partner of the Fund to collect and share with applicable taxing authorities information concerning individual Investors (including identifying information and amounts of certain income allocable or distributable to them). In addition, FATCA generally imposes a withholding tax of 30% on a non-U.S. entity's share of most payments attributable to investments in the United States, including dividends, interest, and, beginning on January 1, 2017, gross proceeds of a disposition of stock, unless an exception applies. The Fund may be required to withhold such taxes from certain non-U.S. Investors, unless an exception applies.
24. *Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes.* There continues to be discussion of enhanced governmental scrutiny and/or increased regulation of the private equity industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on a Fund's activities, including the ability of the Fund to effectively and timely address such regulations, implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives.

The combination of such scrutiny of private equity firms (along with other alternative asset managers) and their investments by various politicians, regulators and market commentators, and the public perception that certain alternative asset managers, including private equity firms, may contribute to a downturn in the U.S. and global financial markets, and may complicate or prevent a Fund's efforts to structure, consummate and/or exit investments, both in general and relative to competing bidders outside of the alternative asset space. As a result, a Fund may invest in fewer transactions or incur greater expenses or delays in completing or exiting investments than it otherwise would have.

Additionally, Congress has considered proposed legislation that would treat certain income allocations to service providers by partnerships such as the Funds (including any Carried Interest) as ordinary income for U.S. federal income tax purposes that under current law is treated as an allocation of the partnership's income, which may be taxed at lower rates than ordinary income. Enactment of any such legislation, whether during or after the initial closing of a Fund, could

adversely affect the ability of principals, personnel or other individuals associated with Sunstone Partners who were or may in the future be granted direct or indirect interests in the General Partner, to benefit from Carried Interest taxed at lower rates. This may reduce such persons' after-tax returns, which could make it more difficult for Sunstone Partners and its affiliates to incentivize, attract and retain individuals to perform services for the Fund. These same issues may also apply to officers, directors and personnel of a Fund's Portfolio Companies if such persons receive a profits interest in such companies.

25. Alternative Investment Fund Managers Directive. The European Union ("EU") Alternative Investment Fund Managers Directive (the "AIFMD") regulates the activities of certain private fund managers undertaking fund management activities or marketing fund interests to investors within the European Economic Area ("EEA").

To the extent a Fund is actively marketed to investors domiciled or having their registered office in the EEA: (i) the Fund and Sunstone Partners will be subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which will result in the Fund incurring additional costs and expenses; (ii) the Fund and Sunstone Partners may become subject to additional regulatory or compliance obligations arising under national law in certain EEA jurisdictions, which would result in the Fund incurring additional costs and expenses or may otherwise affect the management and operation of the Fund; (iii) Sunstone Partners will be required to make detailed information relating to the Fund and its investments available to regulators and third parties; and (iv) the AIFMD will also restrict certain activities of the Fund in relation to EEA Portfolio Companies, including, in some circumstances, the Fund's ability to recapitalize, refinance or potentially restructure an EEA Portfolio Company within the first two years of ownership, which may in turn affect operations of the Fund generally. In addition, it is possible that some EEA jurisdictions will elect to restrict or prohibit the marketing of non-EEA funds to investors based in those jurisdictions, which may make it more difficult for the Fund to raise its targeted amount of Commitments.

In the future, it may be possible for non-EEA alternative investment fund managers ("AIFMs") to market an alternative investment fund ("AIF") within the EEA pursuant to a pan-European marketing "passport", instead of under national private placement regimes. Access to this passport may be subject to the non-EEA AIFM complying with various additional requirements under the AIFMD, which may include one or more of the following: additional conduct of business and organizational requirements; rules relating to the remuneration of certain personnel; minimum regulatory capital requirements; restrictions on the use of leverage; additional disclosure and reporting requirements to both investors and EEA home state regulators; independent valuation of an AIF's assets; and the appointment of an independent depository. Certain EEA Member States have indicated that they will cease to operate national private placement regimes when, or shortly after, the passport becomes available, which would mean that non-EEA AIFMs to whom the passport is available would be required to comply with all relevant provisions of the AIFMD in order to market to professional investors in those jurisdictions. As a result, if in the future non-EEA AIFMs may only market in certain EEA jurisdictions pursuant to a passport, Sunstone Partners may not seek to market interests in a Fund in those jurisdictions, which may lead to a reduction in the overall amount of capital invested in the Fund. Alternatively, if Sunstone Partners sought to comply with the requirements to use the passport, this could have adverse effects including, amongst other things, increasing the regulatory burden and costs of operating and managing the Fund and its investments, and potentially requiring changes to compensation structures for key personnel, thereby affecting

Sunstone Partners' ability to recruit and retain these personnel.

26. United Kingdom Exit from the European Union. The UK formally left the EU on January 31, 2020 ("Brexit"). After a transition period that ended on December 31, 2020, EU rules ceased to apply in the UK. Although the terms of the UK's future relationship with the EU were agreed in a trade and cooperation agreement, the agreement does not include an agreement on financial services and, as a result, UK firms in the financial sector have more limited access to the EU market than prior to Brexit and EU firms similarly have more limited access to the UK, owing to the loss of passporting rights under applicable EU and UK legislation. Alternative arrangements and structures may allow for the provision of cross-border marketing and services between the EU and UK, but these are subject to legal uncertainty and the risk that further legislative and regulatory restrictions could be imposed in the future.

As a result of the onshoring of EU legislation in the UK, UK firms are currently subject to many of the same rules and regulations as prior to Brexit. However, the UK Government has stated its intention to recast onshored EU legislation as part of UK legislation and regulation, which could result in substantive changes to regulatory requirements in the UK. It remains to be seen to what extent the UK may elect to implement or mirror future changes in the EU regulatory regime, or to diverge from the current EU-influenced regime over time. It is possible that the EU may respond to UK initiatives by restricting third-country access to EU markets. If the regulatory regimes for EU and UK financial services change or diverge further, this could have an adverse impact on any Fund and its investments, including the ability of a Fund to achieve its investment objectives in whole or in part (for example, owing to increased costs and complexity and/or new restrictions in relation to cross-border access between the EU and non-EU jurisdictions). There can be no assurance that any renegotiated laws or regulations will not have an adverse impact on a Fund and its investments, including the ability of a Fund to achieve its investment objectives.

The legal, political and economic uncertainty and disruption generally resulting from Brexit may adversely affect both EU- and UK-based businesses, including Sunstone Partners and Fund Portfolio Companies, as applicable. Brexit has already led to disruptions in trade as businesses attempt to adapt cross-border procedures and rules applicable in the UK and in the EU to their activities, products, customers, and suppliers. Continuing uncertainty and the prospect of further disruption may also result in an economic slowdown and/or a deteriorating business environment in the UK and in one or more EU Member States. .

27. Non-U.S. Investments. Each Fund has the right to invest in Portfolio Companies that are organized, headquartered and/or have substantial sales or operations outside of the United States, its territories, and possessions, subject to certain limitations set forth in its Governing Documents or Investor side letter agreements. Any investments outside the U.S. are subject to certain additional risks due to, among other things, differing or potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the Fund), the application of complex U.S. and non-U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on the Fund and/or its partners with respect to the Fund's income, and possible non-U.S. tax return filing requirements for the Fund and/or its partners.

Additional risks of non-U.S. investments include: (a) economic dislocations in the host country; (b) less publicly available information; (c) less well-developed and/or more restrictive laws, regulations, regulatory institutions, and judicial systems; (d) greater difficulty of enforcing legal

rights in a non-U.S. jurisdiction; (e) civil disturbances; (f) government instability; and (g) nationalization and expropriation of private assets. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices, and requirements comparable to those that apply to U.S. companies.

28. *Hedging Arrangements; Related Regulations.* The General Partner of a Fund is authorized (but is not obligated) to endeavor to manage the Fund's or any Portfolio Company's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. The Fund typically would incur costs related to such hedging arrangements, which are permitted to be undertaken in exchange-traded or over-the-counter ("**OTC**") contexts, including futures, forwards, swaps, options, and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used.

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

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

29. *Adverse Consequences for Default.* The Governing Documents of each Fund provide for significant adverse consequences in the event an Investor defaults on its capital commitment or any other payment obligation. In addition to losing its right to potential distributions from the Fund, a defaulting Investor may be forced to transfer its interest in the Fund for an amount that is less than the fair market value of such interest and that may be paid over a period of up to ten years, without interest.

If an Investor fails to pay when due installments of its capital commitment to a Fund, and the contributions made by non-defaulting Investors and borrowings by the Fund are inadequate to cover the defaulted amount, the Fund may be unable to pay its obligations when due. As a result, the Fund may be subjected to significant penalties that could materially adversely affect the returns to the Investors (including non-defaulting Investors).

30. *Dilution.* Investors admitted at subsequent closings of a Fund or that increase their respective capital commitments to the Fund at subsequent closings generally will participate in then-existing investments of the Fund, thereby diluting the interest of existing Limited Partner investors in such investments. Although any such new Limited Partner investor will be required to contribute its pro rata share of previously made capital contributions, there can be no assurance that this contribution will reflect the fair value of the Fund's existing investments at the time of such contributions.

31. General Partner's Carried Interest. The fact that the Carried Interest of the General Partner of a Fund is based on a percentage of net profits creates an incentive for the General Partner to cause the Fund to make riskier or more speculative investments or to hold an investment longer than otherwise would be the case.
32. Transfer by General Partner. To the extent the General Partner of a Fund, the members of such General Partner and/or their respective affiliates commit to make a direct or indirect investment in or along-side the Fund, a material participation in or a portion of such investment may thereafter be transferred to others, subject to any express limitations thereon in the Governing Documents.
33. Material Non-Public Information. Sunstone Partners comes into possession of confidential or material, non-public information regarding public companies, both Portfolio Companies and third parties. Such material, non-public information may at times be relevant to an investment decision to be made by a Fund. Consequently, the Fund may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or Sunstone Partners' internal policies. Due to these restrictions, a Fund may not be able to make an investment that it otherwise might have made or sell an investment that it otherwise might have sold.
34. Public Company Holdings. Our investment portfolio is permitted to contain securities and debt issued by publicly held companies. Such investments may subject a Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Fund to dispose of such securities and debt at certain times, increased likelihood of shareholder litigation and insider trading allegations against such companies' executives and board members, including representatives of Sunstone Partners, and increased costs associated with each of the aforementioned risks.
35. Distressed Investments. A Fund is permitted to determine to 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 Sunstone Partners 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 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 the Fund invested.
36. Non-controlling Investments. We expect that each Fund will make certain investments comprising a meaningful minority stake (but not a controlling interest) in a privately held company, and in

some cases may have limited minority protection rights. In addition, during the process of exiting investments, a Fund at times may hold minority equity stakes of any size such as might occur if Portfolio Companies are taken public. As is the case with minority holdings in general, such minority stakes that the Fund may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. Where a Fund holds a minority stake, it may be more difficult for the Fund to liquidate its interests than it would be had the Fund owned a controlling interest in such company. Even if the Fund has contractual rights to seek liquidity of the Fund's minority interests in such companies, it may be very difficult to sell such interests or seek a sale of such company upon terms acceptable to the Fund, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals.

37. *Director Liability.* In connection with an investment, a Fund is permitted to negotiate the right to appoint one or more Sunstone Partners investment professionals as a member of the Portfolio Company's board of directors. Membership on the board of directors of a company can result in the Fund or the individual director being named as a defendant in litigation or other disputes or investigations. A Fund is also permitted to participate in Portfolio Company financings at valuations lower than the valuations in preceding rounds of financing or at lower valuations or lesser terms than other equityholders deem appropriate. Disputes arising out of such down-round financings may result in such Fund, the General Partner of such Fund, or its members being named as defendants. Typically, Portfolio Companies will have insurance to protect directors and officers, but this insurance may be inadequate. Each Fund will also indemnify its Sunstone Partners and its affiliates, among others, for liabilities incurred in connection with operations of such Fund, including liabilities arising from such suits. Such indemnification obligations and other liabilities could be substantial and could adversely affect such Fund's returns. The Investors of a Fund also may be required to return distributions previously made to them to satisfy such Fund's indemnification obligations. While Sunstone Partners intends to manage each Fund in a way that seeks to reduce exposure to these risks, the possibility of successful claims or lawsuits or adverse regulatory action cannot be eliminated, and such events could have significant adverse effects on such Fund.

In addition, involvement in litigation can be time consuming and can divert attention from Portfolio Company operations and Fund investment activities.

38. *Litigation.* In the ordinary course of its business, a Fund and its Portfolio Companies have the potential to become subject to litigation. The outcome of such proceedings may materially adversely affect the value of the Fund and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of time of Sunstone Partners and its representatives, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.
39. *Limitation of Recourse and Indemnification.* The Governing Documents of each Fund limit the circumstances under which the General Partner of the Fund and its affiliates will be held liable to the Fund. As a result, Investors may have a more limited right of action in certain cases than they would have in the absence of such provision. In addition, the Governing Documents provide that the Fund will indemnify the General Partner and its affiliates for certain claims, losses, damages and expenses arising out of their activities on behalf of the Fund. Such indemnification obligations could materially impact the returns to Investors. Although the Governing Documents generally

contain broad exculpation and indemnification provisions, Sunstone Partners 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 Sunstone Partners 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 Sunstone Partners' insurance coverage are higher or lower than that set forth in the Governing Documents.

40. Advisory Board. The General Partner of each Fund will appoint one or more Investor representatives to the Fund's Limited Partner Advisory Board. The Governing Documents may provide that to the fullest extent permitted by applicable law, none of the Advisory Board members shall owe any fiduciary duties to the Fund or any partner of the Fund. In addition, representatives of the Advisory Board may have various business and other relationships with Sunstone Partners and its personnel and affiliates. These relationships may influence their decisions as members of the Advisory Board.
41. Delayed Schedule K-1s. We may not be able to provide final Schedule K-1s to Limited Partner investors for any given fiscal year until after April 15 of the following year. We will endeavor to provide Investors with final Schedule K-1s or estimates on or before such date, but final Schedule K-1s may not be available until a Fund has received tax-reporting information from its Portfolio Companies necessary to prepare final Schedule K-1s. Investors may be required to obtain extensions of the filing dates for their U.S. federal, state and local income tax returns. Each prospective Investor should consult with its own adviser as to the advisability and tax consequences of an investment in the Fund.
42. Uncertain Economic, Social and Political Environment. Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises, threat of pandemic crisis, or other sources of political, social or economic unrest. In this regard, the 2022 invasion of Ukraine by Russia has created and may in the future create, in addition to dire human impacts, significant uncertainty in financial markets, oil and energy pricing, operations and financials of many individual companies, and the overall economic outlook. Such activity, uncertainties and erosion of confidence may lead to or extend a localized or global economic downturn. The new and uncertain climate may reduce the availability of potential investment opportunities, could impair the future results of many companies, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of a Fund and its Portfolio Companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by a Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon the Fund's current or prospective Portfolio Companies.

43. International Conflicts. Wars and other international conflicts, such as the Israeli-Palestinian conflict and the ongoing military conflict between Russia and Ukraine, have caused disruption to global financial systems, trade and transport, among other things. In response, multiple other countries have put in place sanctions and other severe restrictions or prohibitions on certain of the countries involved, as well as related individuals and businesses. However, the ultimate impact of these conflicts and their effect on global economic and commercial activity and conditions, and on the operations, financial condition and performance of the Funds or any particular industry, business or investee country and the duration and severity of those effects, is impossible to predict.

These conflicts may have a significant adverse impact and result in significant losses to the Funds. This impact may include reductions in Portfolio Company revenue and growth, unexpected operational losses and liabilities and reductions in the availability of capital. It may also limit the ability of a Fund to source, diligence and execute new investments and to manage, finance and exit investments in the future. Developing and further governmental actions (military or otherwise) may cause additional disruption and constrain or alter existing financial, legal and regulatory frameworks and systems in ways that are adverse to the investment strategy which any Fund intends to pursue, all of which could adversely affect the Fund's ability to fulfill its investment objectives.

44. Market Conditions. The capital markets have experienced great volatility and financial turmoil. 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 a Fund and may affect the 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 Fund's investments and could have a negative impact on the performance and/or valuation of Portfolio Companies. The stability and sustainability of growth in global economies may be impacted by terrorism or acts of war. The availability, unavailability or hindered operation of external credit markets, equity markets and other economic systems that Sunstone Partners Funds may depend upon to achieve their objectives may have a significant negative impact on a Fund's operations and profitability. A Fund's performance can be affected by deterioration in the capital markets and by market events, such as the onset of the credit crisis in the summer of 2007, or the downgrading of the credit rating of the United States in 2011, or the inflation experienced in 2023 and continuing into 2024. These capital market events can, among other things, impact availability of credit generally, result in higher cost of borrowings to finance investments or portfolio company operations, impact the public market comparable earnings multiples used to value privately held Portfolio Companies, and impact investment returns and investors' risk-free rate of return. Movements in foreign exchange rates may adversely affect the value of investments in Portfolio Companies and the Fund's performance. Volatility and illiquidity in the financial sector may have an adverse effect on the ability of a Fund to sell and/or partially dispose of its Portfolio Company investments. Such adverse effects may include the requirement of the Fund to pay break-up, termination or other fees and expenses in the event a Fund is not able to close a transaction (whether due to the lenders' unwillingness to provide previously committed financing or otherwise) and/or the inability of the Fund to dispose of investments at prices that the General Partner believes reflect

the fair value of such investments. The impact of market and other economic events may also affect the Fund's ability to raise funding to support its investment objective.

45. *Conflicts of Interest.* Sunstone Partners and affiliates are subject to a range of potential conflicts of interests. For a discussion of certain of these potential conflicts see **Item 11.B.**
46. *Operations Group.* Sunstone Partners has an operations group (the "**Portfolio Operations Group**") that comprises or may in the future comprise (i) certain personnel of Sunstone Partners or affiliates, (ii) certain persons that have an economic interest in one or more Advisory Affiliates that serve as General Partner to one or more Funds, (iii) independent contractors that are retained by the General Partner or an affiliate thereof and/or (iv) other individuals that are periodically engaged with Sunstone Partners and Portfolio Companies. The Portfolio Operations Group may regularly provide services to, or in connection with, the Fund or one or more Portfolio Companies in relation to diligence concerning potential investments or operations of Portfolio Companies, and may serve on boards of directors or other similar governing boards or in an executive capacity ("**Services**").

The fees and expenses associated with any such Services (collectively "**Consulting Fees and Expenses**") are expected to be commensurate with the Services provided and the individual assigned roles in connection with such Services. Certain fees and expenses are expected to be paid or reimbursed by applicable Portfolio Companies (i) directly to the individual or individuals providing such services, (ii) to Sunstone Partners, an Advisory Affiliate or another affiliate, or (iii) to a separate organization established by Sunstone Partners. Consulting Fees and Expenses are permitted, based on the particular Services, to include cash fees, profits or equity interests in a Portfolio Company, a share of proceeds upon sale of a Portfolio Company and/or other incentive-based compensation to such members of the Portfolio Operations Group, 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 such members of the Portfolio Operations Group, a percentage of the value of the Portfolio Company, the amount of capital invested in such Portfolio Company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such company. Any such Consulting Fees and Expenses will not offset the Management Fee. Additionally, we expect that. In certain circumstances, Portfolio Companies will provide opportunities for members of the Portfolio Operations Group to invest in such Portfolio Company and reimburse costs and expenses incurred by such members. It is also expected that certain members of the Portfolio Operations Group will receive remuneration from Sunstone Partners, Funds or affiliates and/or be entitled to other forms of compensation, including equity grants in Portfolio Companies. Such investment opportunities, reimbursements and other compensation paid to a member of the Portfolio Operations Group will not offset Management Fees. It is further expected that certain Portfolio Operations Group members will have a limited partnership or profit interest in a Fund, Advisory Affiliates serving as General Partners to Funds, or one or more Funds. Although Sunstone Partners intends to retain the Operations Group with a view to reducing costs to Portfolio Companies (and, ultimately, the Fund) and/or improving Portfolio Company performance, a number of factors may result in limited or no cost savings from such retention. In addition, while Sunstone Partners intends to retain only such Portfolio Operations Group members that it believes provide a level of service at a value generally consistent with other relevant market alternatives, 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.

For a discussion of certain of potential conflicts of interest presented by the activities of the Portfolio Operations Group, see **Item 11.B.**

47. *Unfunded Pension Liabilities of Portfolio Companies.* Recent court decisions have found that, where an investment fund owns 80% or more (or under certain circumstances less than 80%) of a Portfolio Company, such fund (and any other 80%-owned Portfolio Companies of such fund) might be found liable for certain pension liabilities of such a Portfolio Company to the extent the Portfolio Company is unable to satisfy such liabilities. A Fund is permitted to invest in a Portfolio Company that has unfunded pension fund liabilities, including structuring the investment in a manner where the Fund owns an 80% or greater interest in such a Portfolio Company. If the Fund (or other 80%-owned Portfolio Companies of the Fund) were deemed to be liable for such pension liabilities, this could have a material adverse effect on the operations of the Fund and the companies in which the Fund invests. This discussion is based on current court decisions, statute and regulations regarding control group liability under the Employee Retirement Income Security Act of 1974, as amended, as in effect as of the date of this Memorandum, which may change in the future as the case law and guidance develops.
48. *Valuation of Assets.* There is not expected to be an actively traded market for most of the securities in which we invest. When estimating fair value, we will apply a methodology we determine to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities ultimately may be sold. Our exercise of discretion in valuations may give rise to conflicts of interest, including in connection with determining the amount and timing of distributions of Carried Interest and the calculation of management fees.
49. *U.S. Taxation of Carried Interest.* U.S. federal income tax law treats certain allocations of capital gains to service providers by partnerships such as the Funds as short-term capital gain (taxed at higher ordinary income rates) unless the partnership has held the asset that generated such gain for more than three years. Additionally, Congress has considered proposed legislation that would treat certain income allocations to service providers by partnerships such as a Fund (including any carried interest) as ordinary income for U.S. federal income tax purposes that under current law are treated as an allocation of the partnership's income (and which may be taxed at lower rates than ordinary income). Such rules, as well as any such legislation that may be enacted in the future, could apply to reduce the after-tax returns of individuals associated with a Fund, its General Partner, or Sunstone Partners who were or may in the future be granted direct or indirect interests in carried interest, which could make it more difficult for the relevant General Partner and its affiliates to incentivize, attract and retain individuals to perform services for a Fund. This creates potential incentives for Sunstone Partners to cause a Fund to hold investments for a longer period than would be the case if such greater-than-three-year holding period requirement did not exist.
50. *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.

51. *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 Sunstone Partners 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 Sunstone Partners 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 Sunstone Partners believes there is the potential for additional value generation. Where undertaken, existing Investors 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 Sunstone Partners and its affiliates), often on different terms than their original investment in the Fund. However, certain of such transactions are expected to involve: an Investor 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 Investor and those of Sunstone Partners or any buyer group that typically are not applicable to more traditional investment sales. For example, in circumstances where Sunstone Partners 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 Investors who elect to sell their interests. Similarly, there are potential conflicts of interest among the selling Fund, Sunstone Partners, the relevant General Partner and any buyer group relating to the valuation and consideration offered for the subject investment(s). To the extent Sunstone Partners requires existing limited partners and/or new buyers to commit capital to a continuation fund or another Fund managed by Sunstone Partners 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 Investors. 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 Investors in the relevant Fund, and in such circumstances Sunstone Partners reserves the right to compel co-investors to receive cash or continue to hold an interest in the relevant investment. In other circumstances, certain Investors 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 Investors and/or the relevant Advisory Board prior to the closing of the transaction, there can be no assurance that Sunstone Partners will successfully identify all conflicts of interest or resolve or mitigate all such conflicts of interest in favor of Fund or any individual Investor or group of Investors. However, Sunstone Partners reserves the right, in its sole discretion, to determine to engage in such transactions, subject to any approvals required in the relevant Governing Documents. Sunstone Partners is permitted to seek the consent of the relevant Fund Advisory Board(s) to approve conflicts associated with such transactions and accordingly not all Investors 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.

52. *Co-Investments.* Each Fund has provided or in the future is expected to provide, in the sole discretion of its General Partner, co-investment opportunities to one or more Investors and/or other persons, in each case on terms to be determined by the Advisory Affiliate in its sole discretion. Conflicts of interest are expected to arise in the allocation of such co-investment opportunities. The allocation of co-investment opportunities, which are permitted to be made to one or more persons for any number of reasons as determined by us in our sole discretion, may not be in the best interests of a Fund or any individual Investor. In addition, co-investors may not participate in all rounds of financing with respect to a Portfolio Company, which would result in a different return profile for co-investors. In exercising our sole discretion in connection with such co-investment opportunities, we reserve the right to consider some or all of a wide range of factors, which may include factors that benefit Sunstone Partners such as the likelihood that an investor may invest in a future fund sponsored by us.

Allowing any co-investment generally reduces the amount of the relevant investment opportunity that theoretically could have been taken by the relevant Fund, and Sunstone Partners 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.

A Fund is permitted to co-invest with third parties through partnerships, joint ventures or other

entities or arrangements. Such investments may involve risks not present in investments where a third-party is not involved, including the possibility that a third-party co-venturer or partner may at any time have economic or business interests or goals that are inconsistent with those of the Fund, or may be in a position to take action contrary to the investment objectives of the Fund. In addition, a Fund may in certain circumstances be liable for actions of its third-party co-venturer or partner. There can be no assurance that the Fund's return from a transaction would be equal to and not less than the return of another party that was allocated a co-investment opportunity and that is participating in the same transaction.

Furthermore, decisions regarding whether and to whom to offer co-investment opportunities may be made by us in consultation with other participants in the relevant transactions, such as a co-sponsor. Co-investment opportunities typically will be offered to some and not to other Investors. In addition, Principals, personnel and other related persons of Sunstone Partners are expected to make capital investments in or alongside a Fund. Sunstone Partners' allocation of co-investment opportunities among the persons and in the manner discussed herein may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to others.

See also Item 8.B - Co-Investments by Sunstone Partners and Advisory Affiliates.

53. Contingent Liabilities Upon Disposition. In connection with the disposition of an investment, a Fund and its General Partner may be required to make (and/or be responsible for another person's or entity's breach of) representations and warranties, e.g., about the business and financial affairs of the applicable Portfolio Company, the condition of its assets and the extent of its liabilities, in each case generally in the nature of representations and warranties typically made in connection with the sale of similar businesses, and may be responsible for the content of disclosure documents under applicable securities laws. They may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents are inaccurate. These arrangements may result in the incurrence of contingent liabilities, which would be borne by the Fund and, ultimately, its investors, and could result in the Fund establishing reserves and escrows to cover all or a portion of the potential liability. Distributions may be delayed or withheld until such reserve is no longer needed or the escrow period expires. Moreover, the Fund may be obligated to fund such indemnity obligations to the extent reserves and escrows are insufficient to cover the indemnity obligations, and potentially could give rise to investor giveback obligations on the terms set forth in its Governing Documents.
54. Cybersecurity Risks. Recent events continue to illustrate the ongoing cybersecurity risks to which operating companies are subject. To the extent that a Portfolio Company is subject to cyber-attack or other unauthorized access is gained to a Portfolio Company's systems, such Portfolio Company may be subject to substantial losses. In certain events, a Portfolio Company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Any of such circumstances could subject a Portfolio Company, or the Fund, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at Sunstone Partners, a Fund, one of their affiliates or one of their service providers holding their financial or investor data, Sunstone Partners, the Fund and their affiliates may also be at risk of loss.

Techniques used to sabotage, or to obtain unauthorized access to, systems or networks change frequently and generally are not recognized until launched against a target. Therefore, companies, as well as their third-party partners, may be unable to anticipate these techniques, react in a timely manner, or implement adequate preventive measures. Sunstone Partners, its service providers and its Portfolio Companies' information and technology systems may be vulnerable to actual or perceived damage or interruption from computer viruses; infiltration by unauthorized persons and security breaches; and other disruptive behavior including denial-of-service attacks. Furthermore, service providers of Sunstone Partners, Funds and their respective affiliates, and Portfolio Companies may be vulnerable to actual or perceived usage errors by their respective professionals, network failures, computer and telecommunication failures, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes.

We, our Funds, Portfolio Companies and affiliates, service providers to our Funds and Portfolio Companies, and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect us and our Investors, despite efforts to adopt technologies, processes, and practices intended to mitigate these risks and protect the security of their computer systems, software, networks, and other technology assets, as well as the confidentiality, integrity, and availability of information belonging to the Fund and Investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to IT systems or data within these systems. Third parties may also attempt to fraudulently induce personnel, customers, third-party service providers, or other users of Sunstone Partners' systems to disclose sensitive information in order to gain access to data of Sunstone Partners, Funds and Investors. To the extent that a Portfolio Company is subject to cyber-attack or other unauthorized access is gained to a Portfolio Company's systems, such Portfolio Company may be subject to substantial losses in the form of stolen, lost, or corrupted (i) customer data or payment information; (ii) customer or Portfolio Company financial information; (iii) Portfolio Company software, contact lists, or other databases; (iv) Portfolio Company proprietary information or trade secrets; or (v) other items.

Although we have implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, we, our Funds and/or Portfolio Companies may incur specific time or expense to fix or replace them and to seek to remedy the effects of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to Limited Partner investors (and the beneficial owners of such investors). Such a failure could harm our and/or a Portfolio Company's reputation, subject any such entity and its respective affiliates to legal claims (from an individual or a governmental body) or otherwise affect their business and financial performance. In addition, our and/or a Portfolio Company's insurance coverage may be insufficient to compensate any such entity and its respective affiliates for incurred liabilities.

55. *Changes in Cybersecurity and Data Protection Laws and Regulations*. The adoption, interpretation and application of consumer and data protection laws or regulations in the United States, Europe and elsewhere are often uncertain and in flux, and in some cases, laws or regulations in one country may be inconsistent with, or contrary to, those of another country. Federal, state, or foreign government bodies or agencies have in the past adopted, and may in the future adopt,

laws and regulations affecting data privacy. Industry organizations also regularly adopt and advocate for new standards in this area. In the United States, these include rules and regulations promulgated under the authority of federal government bodies and agencies, state attorneys general, legislatures and consumer protection agencies. As an example, the U.S. Department of Health and Human Services promulgated patient privacy rules under HIPAA that protect medical records and other personal health information by limiting their use and disclosure, giving individuals the right to access, amend and seek accounting of their own health information and limiting most use and disclosures of health information to the minimum amount reasonably necessary to accomplish the intended purpose. Foreign data privacy regulations also govern the processing of personally identifiable data and may be stricter than U.S. laws. For example, the EU General Data Protection Regulation (Regulation (EU) 2016/679), and any implementing national legislation, will replace the EU Data Protection Directive (Directive 95/46/EC) and enter directly into effect across all 28 EU member states on 25 May 2018, harmonizing data protection obligations and enforcement across the EU. The Regulation will impose more stringent obligations on both data controllers and data processors, as well as significant penalties for non-compliance. Customers of Portfolio Companies may use their software products for business activities subject to complex regimes of global laws and regulations, for example: 21 CFR Part 11 (the U.S. Food and Drug Administration's requirements for maintenance of electronic records), EU Annex 11 (the EU requirements for maintenance of electronic records), 21 CFR Part 203 (requirements regarding drug sample tracking as required by the Prescription Drug Marketing Act) among other laws and regulations. The failure of Portfolio Companies, their third-party partners, and their customers to comply with such laws and regulations could negatively impact Sunstone Partners, its Funds, and/or Portfolio Companies.

56. *Risks Related to Privacy Laws.* The adoption, interpretation and application of consumer protection, data protection and/or privacy laws and regulations in the United States, Europe and other jurisdictions (collectively, "**Privacy Laws**") could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and current and planned business activities of Sunstone Partners, the General Partners, the Funds and/or their Portfolio Companies, and increase compliance costs and require the dedication of additional time and resources to compliance for such entities. A failure to comply with such Privacy Laws by any such entity or their service providers could result in fines, sanctions or other penalties or litigation, which could materially and adversely affect the results of operations and overall business, as well as have a negative impact on reputation and Fund performance. As Privacy Laws are implemented, interpreted and applied, compliance costs for Sunstone Partners, the General Partners, the Funds and/or their Portfolio Companies, are likely to increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

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

57. *Social Media and Publicity Risk.* The use of social networks, message boards, internet channels and other platforms has become widespread within the United States and globally. As a result,

individuals now have the ability to rapidly and broadly disseminate information or misinformation, without independent or authoritative verification. Any such information or misinformation regarding Sunstone Partners, the Funds or one or more portfolio companies could have a material and adverse effect on the value of the Funds.

58. Impacts of Excuse or Exclusion. An Investor's participation in a Fund's investments may be limited by virtue of our right to exclude an Investor from, or an Investor's right to be excused from, participating in certain of the Fund's investments as set forth in the Fund's Governing Documents, thereby increasing the participation of other Investors. As a consequence of one or more Investors being excused or excluded or other factors limiting their participation in investments, the aggregate returns realized by the participating Investors could be adversely affected in a material manner by the unfavorable performance of even one investment by the Fund. The performance of one or more substantial investments may have a significant impact on the overall performance of the Fund.
59. Risks in Effecting Operating Improvements. In some cases, the success of a Fund's investment strategy will depend, in part, on the ability of the Fund or the management of a Portfolio Company to restructure and implement improvements in the operations of a Portfolio Company. The activity of identifying and implementing restructuring programs and operating improvements at Portfolio Companies entails a high degree of uncertainty. In addition, executing restructuring programs and operational improvements may divert the attention of key personnel and disrupt normal business. There can be no assurance that Sunstone Partners will be able to successfully identify and implement such improvements.
60. Risks Relating to Due Diligence of and Conduct at Portfolio Companies; Expedited Transactions. Before making an investment, we will typically conduct such due diligence as we deem reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence generally entails evaluation of important and complex business, financial, tax, accounting, technical, environmental and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties are involved in the due diligence process to varying degrees depending on the type of investment and the facts and circumstances related thereto and we reserve the right to rely on the advice received from such third parties. Our investment analyses and decisions may at times be undertaken on an expedited basis in order to allow us to take advantage of an investment opportunity for which other investment firms are competing. In such cases, the information available to us at the time of an investment decision may be limited. We may not have access to the detailed information necessary for a full evaluation of the opportunity. The due diligence investigation carried out with respect to any investment opportunity will not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. We expend significant amounts of capital (comprising partnership expenses) to support our due diligence efforts prior to closing a given transaction, and we expect there to be many such transactions that do not ultimately close. Accordingly, our due diligence efforts will result in significant expenditures even if they do not result in an investment closing. Moreover, our due diligence efforts on the transactions we do close do not ensure that the investment will be successful or even ensure a return on invested capital.
61. Adequacy and Availability of Insurance. While we reserve the right to seek to make investments where insurance and other risk management products (to the extent available on commercially

reasonable terms) are utilized to mitigate the potential loss resulting from catastrophic events and other risks customarily covered by insurance, this may not always be practicable or feasible. Moreover, it will not be possible to insure against all such risks, and such insurance proceeds as may be derived in a timely manner from covered risks may be inadequate to completely or even partially cover a loss of revenues, an increase in operating and maintenance expenses and/or a replacement or rehabilitation. Certain losses of a catastrophic nature, such as those caused by wars, earthquakes, terrorist attacks or other similar events, may be either uninsurable or insurable at such high rates as to adversely impact the Fund's profitability.

62. *Control Person Liability.* We expect to have controlling interests in many of our Portfolio Companies. The exercise of control over a company may impose additional risks of liability for environmental damage, product defects, pension and other fringe benefits, failure to supervise management, violation of laws and governmental regulations (including securities laws) and other types of liability, for which the limited liability generally afforded to investors may be ignored. In particular, if determined to be a direct owner or operator of any of the Portfolio Company's facilities or operations, a Fund could face strict, joint and several liability under environmental laws for hazardous substance or contamination-related liabilities. If any such liabilities were to arise, a Fund might suffer significant losses. While we intend to manage each Fund in a manner that seeks to reduce exposure to these risks, the possibility of successful claims against a Fund and/or its affiliates cannot be precluded.
63. *Liability of Limited Partners.* Generally, an Investor should not be personally liable for the debts of a Fund except that, in the event the Fund is otherwise unable to meet its obligations, Investors may, under applicable law, be obligated to repay amounts previously received by them to the extent such amounts are deemed to have been wrongfully distributed to them, subject to certain limitations set forth in the Partnership Agreement.
64. *Possibility of Fraud or Other Misconduct of Personnel and Service Providers.* Misconduct by (i) Sunstone Partners personnel, (ii) Portfolio Company directors, officers or personnels, or (iii) service providers to the foregoing and/or their respective affiliates could undermine the due diligence efforts and business practices of a Fund and/or its General Partner and cause significant losses to a Fund. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by the Fund, the improper use or disclosure of confidential or material non-public information, which could result in litigation or serious financial harm, including limiting the Fund's business prospects or future marketing activities, and non-compliance with applicable laws or regulations (and the concealing of any of the foregoing). Such activities may result in reputational damage, litigation, business disruption, market or industry segment volatility and/or financial losses to a Fund. We have established controls and procedures through which we seek to reduce the risk of such misconduct occurring, but no assurances can be given that we will be able to identify, mitigate or prevent such misconduct.
65. *Investments Longer than Fund Term.* We reserve the right to make investments that may not be advantageously disposed of, or have liabilities that may not be resolved, prior to the date that a Fund is dissolved, either by expiration of the Fund's term or otherwise. Although we will operate Funds with the intent that investments be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, we may not be able to accomplish this. We have a limited ability

to extend the term of a Fund. Accordingly, a Fund may sell, distribute or otherwise dispose of investments or resolve litigation or other contingent liabilities at a disadvantageous time as a result of the need to effect dissolution. In addition, there can be no assurances with respect to the timeframe in which the winding up and the final distribution of proceeds to the Limited Partner investors will occur.

66. *Side Letter Agreements with Certain Investors.* We often enter into side letter or other similar agreement with one or more Investors in connection with their admission to a Fund, without the approval of any other Investor. This would have the effect of establishing rights under, altering or supplementing the terms of, or confirming the interpretation of an applicable Governing Document (including the Partnership Agreement of a Fund and any related subscription agreement) with respect to such Investor in a manner more favorable than those applicable to other Investors, and such rights may be significant. Such rights or terms in any such side letter or other similar agreement may include, without limitation, (i) excuse, exclusion or withdrawal rights applicable to particular investments or Investors (which may increase the percentage interest of other Investors in, and contribution obligations of other Investors with respect to, certain investments); (ii) reporting obligations of Sunstone Partners; (iii) waiver of certain confidentiality obligations; (iv) consent of Sunstone Partners to certain transfers by such Limited Partner; (v) co-investment opportunities or (vi) rights or terms necessary in light of particular legal, regulatory or public policy characteristics of such Limited Partner, and many of such terms will not be subject to the “most-favored nation” provisions of a Fund’s Governing Documents.

We are likely to have our 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 Sunstone Partners, 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 Sunstone Partners, 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, Sunstone Partners, 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 us 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.

67. *Disclosure of Confidential Fund and Investor Information.* It is expected that certain Investors will be subject to public disclosure requirements, including state public records or similar freedom of information laws which may compel public disclosure of confidential information regarding the Fund, its investments and its Investors. There has been a recent increase in the number of

requests under such laws for contracts (including partnership agreements, subscription agreements and side letters) that investors in private equity funds that are subject to such laws have in place with private equity funds. We may incur expenses in connection with responding to any such disclosure requests, even if we ultimately succeed in asserting confidentiality for any requested documentation. Moreover, notwithstanding the obligation that the Investors will have pursuant to the Governing Documents to maintain the confidentiality of Fund information, there can be no assurance that such information will not be disclosed either publicly or to regulators, law enforcement agencies or otherwise. We may also, in an effort to protect any such potential disclosure, withhold all or any part of the information otherwise to be provided to such a Limited Partner in certain circumstances, as more fully described in the Governing Documents. There can be no assurance that such information will not be disclosed by Sunstone Partners, a Fund or their affiliates and personnel, Portfolio Companies, or services providers to any of them, including to comply with laws, regulations or policies to which they are or may become subject. Any public disclosure of Fund information could have an adverse effect on the Fund, Portfolio Companies and Investors, for example, by impacting the competitive positioning of a Portfolio Company or affecting the Fund's competitive advantage in finding attractive investment opportunities.

68. *Use of Alternative Investment Vehicles.* We have the authority to structure the making of, or restructure, a portfolio investment or any portion thereof (or the holding thereof if after the initial consummation of such portfolio investment) outside of a Fund by requiring any or all of the Investors to make such investment directly or indirectly through one or more alternative investment vehicles. The structural attributes of certain alternative investment vehicles may result in divergent return characteristics for certain Investors. The establishment and maintenance of any such alternative investment vehicles will result in additional expenses allocable to the participants in such vehicles. In addition, we may elect to structure an alternative investment vehicle that may result in favorable tax treatment for one set of Investors but less favorable tax attributes for another.
69. *Capital Calls.* We will issue capital calls at our discretion. To satisfy such capital calls, Investors may need to maintain cash or other assets that can be readily converted to cash equal to all or a substantial portion of their capital commitments. An Investor's obligation to satisfy capital calls will not in any manner be contingent upon the performance or prospects of a Fund or upon any assessment thereof provided by Sunstone Partners. Capital calls may not provide all of the information an Investor desires in a particular circumstance, and such information may not be made available and will not be a condition precedent for an Investor to meet its funding obligation.
70. *Laws and Regulations Governing the Cloud.* The future success of certain of our Portfolio Companies will depend upon the continued use of the Internet Cloud as a primary medium for commerce, communication and business services. Changes in laws and regulations related to the Cloud or changes in the infrastructure of the Cloud itself may diminish the demand for Portfolio Companies' products. U.S. federal, U.S. state or foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws and regulations affecting the use of the Cloud as a commercial medium. Portfolio Companies may be required to modify their products in compliance with or in response to such changes in laws and regulations. Also, domestic and foreign government bodies and agencies and private organizations may begin to impose taxes, fees or other charges for accessing the Internet or for the commerce conducted via the Internet.

Such charges and regimes could limit the growth of Internet-related commerce or communications generally or reduce demand for Cloud-based products and services.

71. *Investments in Companies with Exposure to Virtual Currencies, Blockchain or Distributed Ledger Technology.* A Fund is permitted to invest a portion of its assets in Portfolio Companies that have exposure to virtual currencies, blockchain or distributed ledger technology (collectively, “**Digital Assets**”). Digital Assets are new technological innovations with a limited history and involve a high degree of business and financial risk that can result in substantial or total loss of investment. Digital Assets face a number of market, operational, legal and regulatory risks distinct from other types of assets in which the Fund invests.

Portfolio Companies with exposure to Digital Assets such as virtual currencies, face a number of market and operational risks, including volatile prices, disparate prices across different virtual exchanges, risk of an illiquid market, valuation risk, custody risk, risk associated with “mining” or verifying virtual currency transactions, risk of not converting virtual currencies into fiat currencies, and risk that a virtual currency exchange fails or closes due to a security breach, a distributed denial of service attack, fraud or other failure. Virtual currencies may be particularly vulnerable to virtual currency network attacks, hacking or security breaches.

Virtual currencies also present a number of legal and regulatory risks as U.S. federal, U.S. state or foreign government bodies or agencies maintain different classifications for virtual currencies within their respective jurisdictions. For example, in the U.S., the SEC has found that certain virtual tokens offered in an initial coin offering are securities that require the offering to be registered or exempt from registration, the CFTC treats bitcoin and other virtual currencies as commodities, FinCEN requires administrators or exchanges to register as a registered money services business, and while the IRS treats virtual currencies as property for U.S. federal income tax purposes, tax treatment issues remain with respect to valuation, timing of certain calculations and applicability of Foreign Bank Account Reporting laws, among others. Furthermore, the global regulatory framework governing virtual currencies varies from country-to-country and continues to evolve. Some countries have taken an accommodating approach to the regulation of virtual currencies while others have banned their use.

Accordingly, the promulgation of any U.S. or international laws or rules, an adverse change in applicable legal or regulatory requirements, or an adverse review by an applicable judicial authority of any such law or regulation, could have a material adverse effect of the price of certain Digital Assets and on the operations and/or financial performance of Portfolio Companies with exposure to virtual currencies.

Portfolio Companies with exposure to Digital Assets, such blockchain and distributed ledger technology companies, face a number of market and operational risks, including the risk of rapid technological change, introduction of competing blockchain products or applications, risk of hacking or other cybersecurity breaches, and failure to implement or adopt such technology. Furthermore, blockchain technology presents a number of legal and regulatory risks as national or international regulation is rapidly changing and developing as the technology evolves. Although the prevalence and scope of applications of blockchain and similar distributed ledger technologies is growing, the technology is also nascent and is vulnerable to certain risks such as those detailed above. Such risks could have a material adverse effect of the price of

certain Digital Assets and on the operations and/or financial performance of Portfolio Companies with exposure to blockchain or distributed ledger technology.

72. *Risks Related to AI.* The increasing development, availability and use of Artificial Intelligence (AI) could pose significant risk to our firm and to portfolio companies, should we not adopt new AI capabilities as rapidly as other firms. Our portfolio company investments focus largely on software and service companies. For software companies, the failure to incorporate AI tools into development processes as rapidly as other companies in their industry segments could result in our companies failing to introduce new products and solutions, and new features into existing products and solutions, as rapidly as competitors. In addition, emerging AI tools could partially or fully displace the software products and solutions that these companies offer. For our companies that offer technology-leveraged services, new AI solutions could displace in whole or in part the services that a portfolio company's personnel provide, or adoption by competitors of AI technology that improves the effectiveness or efficiency of service delivery could render our companies' service offerings less competitive. These effects would impact both new sales and retention of existing customers. Moreover, failure to incorporate developing AI solutions into internal processes could result in the internal operations of our companies becoming less efficient than those of competitors, thereby making it difficult to sustain margins and profitability. Any of the foregoing shortfalls could adversely affect revenues, margins and profitability, resulting in diminished returns on our portfolio investments. In addition, failure of Sunstone Partners to adopt emerging AI solutions into our own internal new investment processes as rapidly and effectively as competitive firms could result in us being unable to complete new investment due diligence as rapidly or thoroughly as competitive firms, making us less competitive in seeking to secure new investments. Similarly, failure of Sunstone Partners to adopt emerging AI solutions into our internal portfolio operations management processes as rapidly and effectively as other firms could result in our portfolio companies underperforming those of competitors. Any such shortcomings could adversely impact our investment returns in the future.
73. *Governmental Export and Import Controls.* Portfolio Companies may be subject to U.S. and other jurisdictions' export controls for software and for incorporating encryption technology into any customer service platforms enabled through mobile applications. Such products incorporating encryption technology may only be exported with the required export authorizations, including by license, a license exception or other appropriate government authorizations, for example the filing of an encryption registration. Also, various countries regulate the import of certain encryption technology, including through import permitting and licensing requirements, and have enacted laws that could limit the ability of companies to offer or distribute their products. Further, U.S. and other jurisdictions' export control laws and economic sanctions prohibit the shipment of certain products and services to countries, governments and persons targeted by economic sanctions. Such governmental export and import controls could negatively impact Sunstone Partners and its Funds by impairing the abilities of Portfolio Companies to compete in international markets or subject them to liability for violations, including possible civil and criminal penalties and repercussions.
74. *Proprietary Rights.* Many Portfolio Companies will rely on a combination of patent, copyright, trademark and trade secret protection and non-disclosure agreements to establish and protect proprietary rights. There can be no assurance that we or a Portfolio Company will be able to protect these rights or will have the financial resources to do so, or that competitors will not develop technologies substantially equivalent or superior to a company's technologies. While

piracy adversely affects Portfolio Company revenue, the impact on revenue from outside the U.S. is significant, particularly in countries where laws are less protective of intellectual property rights. The absence of harmonized patent laws makes it more difficult to ensure consistent respect for patent rights. Reductions in the legal protection for software intellectual property rights could adversely affect Portfolio Companies.

75. *Third-party Infringement Claims.* A Fund or a Portfolio Company will potentially receive notices from others claiming the Fund or such Portfolio Company has infringed their intellectual property rights. The number of these claims may grow because of constant technological change in the software industry, increased user-generated content, the extensive patent coverage of existing technologies, and the rapid rate of issuance of new patents. Additionally, Portfolio Companies may currently or in the future use “open source” software in their products or platforms. Such open source software is generally licensed by its authors or other third parties under open source licenses. Licensing authors or third parties may allege that a Portfolio Company has not complied with the conditions of one or more of these licenses. To resolve these and other intellectual property infringement claims, the Fund and/or Portfolio Companies may enter into royalty and licensing agreements on terms that are less favorable than currently available, stop selling or redesign affected products, or pay damages to satisfy indemnification commitments with customers. These outcomes may cause operating margins to decline. In addition to money damages, in some jurisdictions plaintiffs can seek injunctive relief that may limit or prevent importing, marketing and selling products that have infringing technologies. In some countries, such as Germany, an injunction can be issued before the parties have fully litigated the validity of the underlying patents.
76. *Software Code Protection.* Source code can be critical to certain Portfolio Companies. If an unauthorized disclosure of a significant portion of source code occurs, a Portfolio Company could potentially lose future trade secret protection for that source code. This could make it easier for third parties to compete with such Portfolio Company’s products by copying functionality, which could adversely affect revenue and operating margins. Unauthorized disclosure of source code could also increase security risks (e.g., viruses, worms, and other malicious software programs that may attack Portfolio Company products and services). Costs for remediating the unauthorized disclosure of source code and other cybersecurity breaches, may include, among other things, increased protection costs, reputational damage and loss of market share, liability for stolen assets or information and repairing system damage that may have been caused. Remediation costs may also include incentives offered to Portfolio Company customers or other business partners in an effort to maintain the business relationships after a security breach.
77. *Anti-Corruption Laws & Anti-Boycott Considerations.* Sunstone Partners is committed to complying with all aspects of the U.S. Foreign Corrupt Practices Act (“FCPA”), the U.K. Bribery Act (“UKBA”) and other anti-corruption and anti-bribery laws and regulations, as well as anti-boycott regulations, to which it is subject. As a result, a Fund or Portfolio Company may be adversely affected or miss out on opportunities because of its unwillingness to participate in transactions that potentially violate such laws and regulations. Such laws and regulations may make it difficult in certain circumstances for a Fund to act successfully on investment opportunities and for Portfolio Companies to obtain or retain business.

In recent years, the U.S. Department of Justice and the SEC have devoted greater resources to enforcement of the FCPA. In particular, U.S. regulators recently have been focused on private equity firms and their compliance with the FCPA. In addition, the United Kingdom has significantly expanded the reach of its anti-bribery laws. The UK government passed into law the UKBA in 2010. The UKBA criminalizes both the bribery of foreign public officials and commercial bribery. The UKBA also makes provision for a strict liability corporate offense of failing to prevent bribery committed by employees or third parties associated with a company. The corporate offense applies to any organization which carries on business or part of a business in the UK. The corporate offense is subject to an affirmative defense which is engaged if a company can show that it had in place adequate procedures to prevent bribery committed on its behalf.

While we have developed and implemented policies and procedures designed to ensure compliance by Sunstone Partners and its personnel, including third parties engaged by Sunstone Partners, with the FCPA and the UKBA, such policies and procedures may not be effective in all instances to prevent violations. In addition, despite any policies that we may seek to implement at Portfolio Companies, Portfolio Companies or their affiliates may engage in activities that could result in FCPA and/or UKBA violations. Any determination that we or any of our Portfolio Companies has violated the FCPA, the UKBA or other applicable anti-corruption laws or anti-bribery laws could give rise to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and/or a general loss of investor or customer confidence, any one of which could adversely affect the business prospects and/or financial position of a Portfolio Company or a Fund, as well as a Fund's ability to achieve its investment objective and/or conduct its operations.

Each Fund will require that each subscriber represent and warrant its compliance with applicable anti-corruption and anti-bribery laws and regulations and that it maintains policies and procedures designed to ensure compliance with applicable anti-corruption and anti-bribery laws and regulations. The Fund and Sunstone Partners shall have no liability whatsoever for any liabilities, costs, expenses, damages and/or losses (including but not limited to any direct, indirect or consequential losses, loss of profit, loss of revenue, loss of reputation and all interest, penalties and legal costs and all other professional costs and expenses) incurred by any subscriber as a result of actions taken as deemed necessary by the Fund or Sunstone Partners for compliance with anti-corruption and anti-bribery laws and regulations or compliance with anti-boycott laws and regulations.

78. *Economic Sanction Laws.* Sunstone Partners is subject to laws that restrict it from dealing with entities, individuals, organizations and/or investments which are subject to applicable sanctions regimes. Enforcement of economic sanctions laws in the U.S., EU, and other countries is increasing, and failure by Sunstone Partners, a Fund or Portfolio Companies to comply with U.S., EU, or other relevant economic sanctions could have serious legal and reputational consequences.

Accordingly, Sunstone Partners will require that each Fund subscriber represent and warrant, on a continuing basis, that it is not, and that to the best of its knowledge or belief its beneficial owners, controllers, authorized persons or agents ("**Related Persons**") (if any) are not; (i) named on any list of sanctioned entities or individuals maintained by the US government, including the US Treasury Department's Office of Foreign Assets Control ("**OFAC**") or pursuant to EU or UK Regulations (as the latter are extended to the Cayman Islands by Statutory Instrument), (ii) operationally based or domiciled in a country or territory in relation to which comprehensive,

country-wide sanctions imposed by the United Nations, OFAC, the EU and/or the UK apply, (iii) engaging in activities that foreseeably could result in the subscriber, its beneficial owners, controllers, authorized persons or agents from becoming the target of sanctions imposed by the United Nations, OFAC, the EU and/or the UK, or (iv) otherwise targeted by sanctions imposed by the United Nations, OFAC, the EU or the UK (including as the latter are extended to the Cayman Islands by Statutory Instrument) (collectively, a “**Sanctions Subject**”). Sunstone Partners will require that each Fund subscriber represent and warrant that it maintains policies and procedures designed to ensure compliance with applicable economics sanctions laws and regulations.

Where a subscriber or a Related Person is or becomes a Sanctions Subject, Sunstone Partners may be required immediately and without notice to such subscriber to cease any further dealings with the subscriber and/or the subscriber’s interest in a Fund and/or freeze such subscriber’s assets in a Fund’s possession until the subscriber ceases to be a Sanctions Subject, or a license is obtained under applicable law to continue such dealings (a “**Sanctioned Persons Event**”). The Fund and Sunstone Partners shall have no liability whatsoever for any liabilities, costs, expenses, damages and/or losses (including but not limited to any direct, indirect or consequential losses, loss of profit, loss of revenue, loss of reputation and all interest, penalties and legal costs and all other professional costs and expenses) incurred by any subscriber as a result of a Sanctioned Persons Event.

In addition, should any investment made on behalf of a Fund subsequently become subject to applicable sanctions, the Fund may immediately and without notice to subscribers cease any further dealings with that investment until the applicable sanctions are lifted or a license is obtained under applicable law to continue such dealings (a “**Sanctioned Investment Event**”).

79. *National Security Investment Clearance.* In some cases, investments involving the acquisition of or investment in a U.S. business (including a U.S. subsidiary of a company domiciled outside of the United States) may be subject to review and approval by the Committee on Foreign Investment in the United States (“**CFIUS**”). In the event that CFIUS reviews one or more investments, there can be no assurances that Sunstone Partners will be able to maintain or proceed with such portfolio investments on acceptable terms. Additionally, CFIUS may seek to impose limitations on one or more such portfolio investments that may prevent Sunstone Partners from maintaining or pursuing investment opportunities that it otherwise would have maintained or pursued, which could adversely affect the performance of a Fund’s investment in such portfolio investments and thus the performance of the Fund. Pending legislation to reform CFIUS would increase the scope of CFIUS’ jurisdiction to cover more types of investments and empower CFIUS to scrutinize more closely investments in U.S. technology companies. Certain of the Investors of each Fund are expected to be non-U.S. investors, and in the aggregate, may comprise a substantial portion of the Fund’s aggregate commitments, which may increase the risks of such limitations being imposed. Moreover, other countries continue to strengthen their own national security investment clearance regimes, and Sunstone Partners’ investments outside of the U.S. may also face delays, limitations, or restrictions as a result of compliance with these legal regimes.
80. *Investments with Third Parties.* Sunstone Partners reserves the right to co-invest with third parties, thereby acquiring non-controlling interests in certain Portfolio Companies. We may not have control over these companies and, therefore, we may have a limited ability to protect our position therein. Such portfolio investments may involve risks not present in portfolio investments where a third party is not involved, including the possibility that a third-party partner

or co-investor may have financial difficulties resulting in a negative impact on such portfolio investment, may have economic or business interests or goals which are inconsistent with those of a Fund, may cause the investment to be reviewable by CFIUS or another U.S. or other national security investment clearance regulator, or may be in a position to take action contrary to a Fund's investment objectives or narrow the array of potential exit strategies for the Fund. In addition, a Fund may in certain circumstances be liable for the actions of its third-party partners or co-investors. In those circumstances where such third parties involve a management group, such third parties may receive compensation arrangements relating to such investments, including incentive compensation arrangements.

81. Uncertainty of Projections. We will generally establish the capital structure of Portfolio Companies and the terms and targeted returns of investments on the basis of financial and other projections for such investment. Estimates or projections of economic and market conditions, supply and demand dynamics and other key investment-related considerations are key factors in evaluating potential investment opportunities and valuing a Fund's investment program. It is possible for such estimates and projections to be significantly revised, creating significant changes in the value of any such Portfolio Company subject to such factors and therefore the value of a Fund's assets. Projected operating results will normally be based primarily on management judgments or third-party reports. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that any projections, forecasts or estimates referred to herein will prove to be accurate or that projected, forecasted or estimated results will be obtained. Actual results may vary significantly from the projections, forecasts or estimates set forth herein. General economic, natural and other conditions, which are not predictable, can have a material adverse impact on the reliability of such projections, forecasts or estimates. Assumptions or projections about asset lives, the stability, growth or predictability of costs, demand or revenues generated by an investment or other factors associated therewith may, due to various risks and uncertainties including those described herein, differ materially from actual results. Certain Portfolio Companies, as well as Sunstone Partners, will rely on the reports of technical consultants when evaluating the condition of certain assets. The actual condition of the assets may be worse than anticipated, requiring additional capital or maintenance expenditures that may not be recoverable, allocable to end-users or economical from a stand-alone perspective.
82. Investment Company Act of 1940. The Funds are not subject to the provisions of the Investment Company Act of 1940, in reliance upon either Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act of 1940. The Funds' Governing Documents contain representations and restrictions on transfer designed to ensure that the conditions of one or both of these provisions are met.
83. Securities Act of 1933. Interests in Funds are not registered under the Securities Act, in reliance upon exemptions for transactions not involving a public offering. Each Investor is required to execute certain agreements in connection with its subscription for an interest in a Fund, and in so doing will make certain representations to Sunstone Partners.
84. Public Health Emergencies; COVID-19. Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, Ebola and COVID-19, have resulted in historic market disruptions, and future such emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to the Funds.

The ultimate impact of any such health emergency — and any resulting decline in economic and commercial activity — on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict, but could have a significant adverse impact and result in significant losses to the Funds. The extent of the impact on the Funds' and their Portfolio Companies' operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors may limit the ability of the Funds to source, diligence and execute new investments and to manage, finance and exit investments in the future, and governmental mitigation actions may constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy the Funds intend to pursue, all of which could adversely affect the Funds' ability to fulfill their investment objectives. They may also impair the ability of Portfolio Companies or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences. In addition, the operations of the Funds, their Portfolio Companies, the General Partners and Sunstone Partners may be significantly impacted, or even temporarily or permanently halted, as a result of any such health emergencies, or any measures, restrictions, remote-working requirements and other factors related thereto, including its potential adverse impact on the health of any such entity's personnel. These measures may also hinder such entities' ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance. ***THE FOREGOING RISKS DO NOT PURPORT TO BE A COMPLETE EXPLANATION OF ALL THE RISKS INVOLVED IN ACQUIRING AN INTEREST IN A FUND MANAGED BY SUNSTONE PARTNERS. PROSPECTIVE INVESTORS ARE URGED TO READ THE APPLICABLE GOVERNING DOCUMENTS FOR A RESPECTIVE FUND PRIOR TO MAKING AN INVESTMENT.***

ITEM 9 – DISCIPLINARY INFORMATION

Sunstone Partners and its management persons have not been the subject of any material legal or disciplinary proceedings required to be disclosed in response to this item.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

General

The Advisory Affiliates are related persons of Sunstone Partners and serve as General Partners to the Funds. In connection therewith, the Advisory Affiliates maintain investments in the Funds and provide investment management and administrative services to the Funds.

As described in **Item 6**, the Advisory Affiliates are entitled to receive performance-based profit distributions from the Funds (Carried Interest), which creates a potential conflict of interest, as discussed in **Item 6** and **Item 8**.

As described elsewhere in this Brochure, the Firm generally seeks to acquire control positions in Portfolio Companies, but will also invest at times in significant minority positions. The Funds typically have the

right to board representation and customary shareholder rights in both controlled companies and companies in which the Firm acquires a significant minority position. Accordingly, Sunstone Partners' personnel will maintain board positions with Portfolio Companies. Such persons could face conflicts of interest between discharging their duties as directors of such companies and acting in the best interest of the applicable Funds.

Sunstone Partners and its personnel can be expected to receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of the Funds which will not be subject to management fee reductions or otherwise shared with the Funds, limited partners and/or portfolio entities. For example, airline travel or hotel stays incurred as partnership expenses result in "miles" or "points" or credit in loyalty/status programs, and such benefits and/or amounts will, whether or not de minimis or difficult to value, inure exclusively to Sunstone Partners and/or such personnel (and not the Funds, limited partners and/or portfolio entities) even though the cost of the underlying service is borne by the Funds and/or portfolio entities.

Trident Capital

Prior to creating Sunstone Partners in 2015, Gustavo Alberelli, Michael Biggee and Arneek Multani (the Principals) and fellow Sunstone Partners co-founder John Moragne (together with the Principals, the "**Founders**" of Sunstone Partners) comprised the Managing Directors of the growth equity team of Trident Capital. Trident Capital is a multi-stage venture capital firm that has managed \$1.9 billion of capital across seven funds raised between 1993 and 2010. Trident Capital ceased making new portfolio company investments in 2015.

While the Principals devote as much time to the business and affairs of Sunstone Partners as is necessary to perform their respective duties on behalf of the Firm, they also each continue to have an interest in Trident Capital as such firm continues to wind down. As of December 31, 2023, the three Principals of the Firm do not hold Board seats at any Trident Capital companies, while John Moragne holds a Board seat at one Trident Capital company.

Pursuant to an intercompany cost-sharing agreement between Sunstone Partners and Trident Capital, the finance and administration personnel of Sunstone Partners (collectively, the "**Admin Team**") provided finance and administration services to Trident Capital, including management of the fund administrator relationship, through the end of 2020. Trident Capital paid to Sunstone an agreed upon fee for such services, which the two firms believed to be commensurate with market rates. The back office of Sunstone Partners ceased to provide finance and administration to Trident Capital effective as of January 1, 2020, other than certain continuing services to Trident Capital provided by Howard Zeprun, General Counsel of Sunstone Partners, for which Sunstone Partners is reimbursed a negotiated fee.

Sunstone Partners and Trident Capital do not share fees. Other than the expenses detailed in this section, Trident Capital and Sunstone Partners do not share and have not shared any expenses.

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

Sunstone Partners' Code of Ethics (the "**Code**") applies to all Sunstone Partners personnel. In addition, certain other individuals, such as temporary employees or independent contractors, will be designated as

subject to the policy in such circumstances as Sunstone Partners' Chief Compliance Officer deems to be appropriate. Personnel subject to the Code at any time are referred to as "**Covered Persons**."

The Code sets forth a standard of business conduct that reflects Sunstone Partners' status as a fiduciary to the Funds and requires Covered Persons to place the interests of Funds above their own interests and the interests of Sunstone Partners. Further, Covered Persons are required to promptly bring violations of the Code to the attention of Sunstone Partners' Chief Compliance Officer. All Covered Persons are provided with a copy of the Code and are required to acknowledge receipt of the Code upon hire and on at least an annual basis thereafter.

Pursuant to the Code of Ethics, the Firm has an Insider Trading Policy that sets forth certain reporting and pre-clearance requirements with respect to personal securities trading by Covered Persons. All Covered Persons must provide Sunstone Partners' Chief Compliance Officer with a list of their personal trading accounts and securities holdings thereunder within 10 days of becoming a Covered Person. In addition, Covered Persons must provide annual and quarterly reports and certifications regarding their current accounts, their holdings, and transactions in their personal accounts, in accordance with Advisers Act Rule 204A-1.

Pursuant to the Code of Ethics, the Firm also has a Policy with Respect to Confidential Information. This policy sets forth the duty of the Firm and its personnel to protect confidential information of the Firm, Funds, Portfolio Companies and third parties, including without limitation a duty to protect material non-public information about publicly traded companies to the extent that Covered Persons gain access to any such information. Underlying these policies and procedures are two primary principles. First, confidential information must be maintained in confidence. Second, Covered Persons who possess material non-public information about public companies must not trade in the securities affected by such information, must not disclose such information to anyone who does not have a legitimate need to know it, and must immediately disclose to Sunstone Partners' Chief Compliance Officer when any such information becomes available to them.

Investors or prospective Investors are able obtain a copy of the Code by contacting Sunstone Partners.

For further discussion of potential conflicts of interest, see **Item 8** above.

ITEM 12 – BROKERAGE PRACTICES

A. Best Execution and Soft Dollars

Sunstone Partners' investment strategy focuses on investments in private transactions and typically does not involve placing trades involving publicly traded securities with a broker-dealer. The Firm is permitted to make new Portfolio Company investments in publicly traded securities, to the extent permitted by each Fund's Governing Documents. Moreover, private company holdings could become public company holdings, whether by the private company effecting an initial public offering or being acquired for securities in a publicly-traded company.

To the extent a Fund were to hold and transact in public securities, Sunstone Partners has complete discretion in selecting the broker that to be used for Fund transactions and the commission rates paid to

such brokers, without obtaining any Investor's consent. In such circumstances, the Firm intends to seek to obtain best execution on behalf of the Funds. In seeking best execution, the determinative factor is not necessarily the lowest possible cost, but whether the transaction represents the overall best qualitative execution, taking into consideration the full range of a broker-dealer's services in addition to cost. In selecting a broker for any transaction or series of transactions, Sunstone Partners would consider a number of factors, including, for example:

- net price, clearance, settlement and reputation;
- financial strength and stability;
- efficiency of execution and error resolution;
- ability to arrange for sales and transfers of restricted and illiquid securities;
- willingness to execute related or unrelated difficult transactions in the future;
- ability to establish brokerage accounts on an efficient and expedited basis; and
- special execution capabilities; and
- other factors suggested by the SEC for determining best execution.

The Firm does not currently participate in soft dollar arrangements. To the extent the Firm uses "soft dollars" on behalf of Funds in the future, it will seek to do so within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended.

The Firm does not currently hold any public securities. At such time in the future as the Firm holds public securities, we intend to periodically evaluate execution performance to ensure that any services provided are consistent with best execution obligations.

B. Aggregation of Securities

Upon any determination to buy or sell the same Portfolio Company security on behalf of more than one Fund (based upon the investment mandate and available capital of each Funds), the Firm intends that we will generally aggregate such transactions. Private company securities which are a significant part of the investments made by the Funds are generally purchased in private placement transactions, and thus a purchase or sale transaction by multiple Funds will generally be consummated simultaneously. However, there could be circumstances in which the liquidity needs, partnership terms or other considerations require the purchase or sale of Portfolio Company securities by Funds at different times. In such cases, the Firm will seek to act in a fair and equitable manner with regard to all participating Funds and to take into account the investment objectives and results of each Fund. Notwithstanding the foregoing, the purchase or sale of Portfolio Company securities by different Funds at different times could result in increased transaction costs and different investment results for such Funds and their Investors.

Sunstone Partners recognizes that, as a fiduciary, the Firm has a duty to allocate investment opportunities among our advisory clients in a fair and equitable manner. If the Firm determines that it would be appropriate for more than one Fund to participate in an investment opportunity, we intend to seek to allocate the investment opportunity to all of the participating Funds on a fair and equitable basis. The Firm will make a determination as to the appropriate allocation among Funds after considering a variety of factors, including but not limited to investment restrictions and objectives (including those set forth in the Governing Documents, where applicable), operating guidelines, strategy, diversification limitations, risk profile, time horizon, tolerance for turnover, asset composition, cash level, life cycle, structure, applicable tax and regulatory considerations, investment restrictions, risk and other relevant factors, including agreements with co-sponsors. Investment opportunities will be allocated in a manner consistent

with the applicable Funds' Governing Documents.

Notwithstanding the foregoing, as described in **Item 4.B.** above, the Firm will allocate any available co-investment opportunity as determined in our sole discretion and there is no guarantee that any Investor will be offered co-investment opportunities.

ITEM 13 – REVIEW OF ACCOUNTS

A. Account Review

The accounts of the Funds are reviewed periodically by the investment professionals of Sunstone Partners. Such reviews include a review of investment strategy, the suitability of the investments used to meet strategy objectives, limitations set forth in applicable Fund Governing Documents, and investment objectives. The Firm considers, among other things, investment performance, the Fund portfolio's sensitivity to market changes, and whether anything has changed subsequent to an initial investment decision that impacts the risk or potential return.

B. Reporting to Clients and Investors

Each Fund generally will provide to Investors (i) audited financial statements annually commencing with the first year in which it is in operation for the full year, (ii) unaudited financial statements for the first three quarters of each fiscal year, (iii) annual tax information necessary for each Investor's U.S. tax returns, and (iv) descriptive investment information for each portfolio company periodically.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

As the advisory clients are Funds, Sunstone Partners does not provide compensation for client referrals under Rule 206(4)-3 under the Advisers Act.

Sunstone Partners may in the future in connection with the raising of future Funds enter into solicitation arrangements pursuant to which it would compensate third parties for referrals that result in a potential investor becoming a limited partner in a Fund. Any fees payable to any such placement agents will be borne by Sunstone Partners indirectly through an offset against the Management Fee as set forth in the relevant Governing Documents. Related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, typically are borne by the relevant Fund(s).

ITEM 15 – CUSTODY

Pursuant to Rule 206(4)-2 under the Advisers Act (the "**Custody Rule**"), Sunstone Partners is deemed to have custody of client funds or securities held by the Funds because Advisory Affiliates of Sunstone Partners serve as the General Partners of the Funds.

To maintain compliance with the Custody Rule, Sunstone Partners will ensure that each Fund is subject to an annual audit by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board ("**PCAOB**") and that the audited financial statements

of each Fund will be prepared in accordance with generally accepted accounting principles (“U.S. GAAP”) and distributed to Investors within 120 days of the end of the Fund’s fiscal year. Investors should carefully review the audited financial statements of a Fund upon receipt and should compare these statements to any account information provided by Sunstone Partners.

If necessary, Sunstone Partners will hold any publicly traded securities its Funds receive via a qualified custodian in an account in the name of the applicable Fund or in accounts that contain only funds and securities owned by the Fund, under Sunstone Partners’ name as agent or trustee for the Fund.

ITEM 16 – INVESTMENT DISCRETION

Sunstone Partners has discretionary authority to manage securities accounts on behalf of its Funds. Sunstone Partners is authorized to make transaction recommendations for the Funds. As discussed in **Item 4** above, each Fund’s investment strategy is set forth in detail in such Fund’s Governing Documents. Investors do not have the ability to impose limitations on Sunstone Partners’ discretionary authority. Pursuant to the terms of the Governing Documents, however, Sunstone Partners and/or its affiliates may enter into side letter agreements with certain Investors whereby the terms applicable to such Investor’s investment in a Fund may be altered or varied, including, in some cases, the right to be excused or excluded from certain investments for legal, tax, regulatory or other similar reasons.

The Firm assumes this discretionary authority pursuant to the terms of the Partnership Agreements of the Funds and powers of attorney executed by the Investors of the Funds. Investors must execute a subscription agreement in which they make various representations, including representations regarding their suitability to invest in a high-risk investment pool.

ITEM 17 – VOTING CLIENT SECURITIES

Given Sunstone Partners’ focus on private companies, it will be extremely rare that Sunstone Partners will receive proxies with respect to securities held on behalf of the Funds.

If Sunstone Partners is obligated to vote proxies for public securities, such proxies would be held by the Funds and are voted by Sunstone Partners’ respective Advisory Affiliate on behalf of such Fund. Any proxies or other solicitations received by Sunstone Partners will be reviewed and acted upon by the principal of the Advisory Affiliate. Notwithstanding the above, Sunstone Partners has adopted a proxy voting policy that is applicable to it and its Advisory Affiliates.

Sunstone Partners and its Advisory Affiliates understand and appreciate the importance of proxy voting. Securities held by the Funds are voted by the respective Advisory Affiliate. Any proxies or other solicitations received by Sunstone Partners will be forwarded to a representative of the appropriate Advisory Affiliate.

Sunstone Partners and its Advisory Affiliates have adopted proxy voting policies and procedures that are designed to ensure that when an Advisory Affiliate votes a proxy with respect to securities held on behalf of the Funds, such proxies are voted in the clients’ best interests, in the judgment of the Advisory Affiliate to the extent reasonably practicable. The procedures also require that the Advisory Affiliates identify and address conflicts of interest. If a material conflict of interest is identified, the Advisory Affiliate will

determine whether voting in accordance with the guidelines set forth in the procedures is in the best interests of its Funds or whether taking some other action may be more appropriate.

If a conflict is identified, such individuals will then make a determination (which may be in consultation with outside legal counsel or compliance consultants) as to whether or not the conflict is material. If a conflict is material, the Advisory Affiliate will determine what course of action is in the best interests of the client (which may include utilizing an independent third party to vote such proxies).

Sunstone Partners keeps a record of its proxy voting policies and procedures, proxy statements received, votes cast, all communications received and internal documents created that were material to voting decisions, and each client request for proxy voting records and the Advisory Affiliate's response for the previous five years.

Investors generally do not have the ability to direct proxy votes. Investors may obtain additional information regarding how the Advisory Affiliate voted proxies and may obtain a copy of Sunstone Partners' proxy voting policies and procedures by contacting the Chief Compliance Officer.

ITEM 18 – FINANCIAL INFORMATION

Sunstone Partners and its affiliates do not require or solicit prepayment of advisory fees six months in advance.

Sunstone Partners is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to Funds or Investors.