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**March 29, 2024**

*This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of MSA Advisors, LLC (“MSA”). If you have any questions about the contents of this Brochure, please contact us at the above number.*

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

*MSA is registered as an investment adviser with the United States Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940 (the “Advisers Act”). Registration with the SEC does not imply any endorsement, approval, or level of skill or training. In addition, the information in this Brochure has not been approved or verified by the SEC or by any state securities authority.*



## **Item 2: Material Changes**

MSA is required to identify and discuss any material changes to this Brochure since the last update to assist investors and make them aware of certain information that has changed since the prior Brochure and that may be important to them.

MSA recommends that you read this Brochure in its entirety. MSA most recently filed the Brochure on March 31, 2023. This Brochure contains several material changes from the prior Brochure, including but not limited to: (i) updates to Item 4 with respect to the description of clients advised by MSA; (ii) updates to Item 17 to reflect additional information regarding MSA's proxy voting practices. MSA has also made updates to improve and clarify the descriptions of MSA's business practices, compliance policies and procedures, and to respond to evolving industry best practices.



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#### **Item 4: Advisory Business**

MSA Advisors, LLC (and together with its affiliated entities, “MSA”) commenced operations in 1997. MSA is majority-owned by its principals, Paul Wachter (Chief Executive Officer) and Christopher Fillo (Vice Chairman). MSA provides investment advice and recommends investments to its non-discretionary clients (the “Non-Discretionary Clients”), comprised of high net worth individuals and families and their related private charitable foundations, trusts, and other entities. In addition, MSA serves as the investment adviser to various clients organized, on a discretionary basis, as private pooled investment vehicles (each a “Fund,” collectively, the “Funds”) and single-client vehicles (the “Single-Client Vehicles”). Non-Discretionary Clients invest in Funds, Single-Client Vehicles, and other investments as described below. At times, Funds, Single-Client Vehicles, and Non-Discretionary Clients are referred to in this Brochure collectively as “clients” or “client accounts.”

The Funds are typically structured as limited partnerships or limited liability companies that are organized under the laws of Delaware. MSA serves as the general partner or managing member of the Funds. The interests in the Funds are offered on a private placement basis to persons who are “accredited investors” as defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the “Securities Act”), and subject to certain other conditions which are set forth in the offering documents for the Funds. The Funds are not registered as investment companies pursuant to exemptions from the definition of “investment company” set forth in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act of 1940, as amended (the “Company Act”).

The Funds include:

- MSA Acceleration Partners, L.P. and its parallel fund, MSA Acceleration Partners B, L.P. (“MSA Acceleration Partners”)
- MSA Enterprises LP and its parallel fund, MSA Enterprises (Parallel) LP (“MSA Enterprises”)

MSA has also formed two Funds for Non-Discretionary Clients, which hold commingled investments on behalf of multiple Non-Discretionary Clients. These Funds receive investments from multiple Non-Discretionary Clients and each hold a distinct set of assets that are managed with an investment strategy specific to each Fund. These Funds are not registered as investment companies pursuant to exemptions from the definition of “investment company” set forth in the Company Act and interests in these Funds is only available for existing Non-Discretionary Clients.

The Funds include:

- MSA Quaestor Investors LP
- MSA Collateral LLC



All discussions of the Funds in this Brochure, including but not limited to their investments, the investment objectives, guidelines and strategies, and the fees and other costs associated with an investment, are qualified in their entirety by reference to each Fund's respective offering memorandum (if any) and limited partnership agreement or similar governing document (collectively, the "Fund Governing Documents"). Participation in the Funds is limited to certain qualified investors, as described in Item 7 below. Such Fund investors in MSA Acceleration Partners and MSA Enterprises include not only clients but also third parties that are not existing clients. As noted above, all Fund investors in MSA Quaestor Investors LP and MSA Collateral LLC are Non-Discretionary Clients.

Single-Client Vehicles are typically structured as limited partnerships or limited liability companies that are organized under the laws of Delaware. MSA serves as the general partner or managing member of the Single-Client Vehicles. With respect to Single-Client Vehicles, guidelines and limitations are covered in the operative documents to ensure those client portfolios reflect client objectives. While MSA retains the ability to direct transactions in Single-Client Vehicles, in practice, MSA generally seeks client approval prior to making new investments. With respect to Non-Discretionary Clients, each client may decline to invest in an MSA recommendation.

MSA's primary business is to provide clients with investment advice covering a wide variety of asset classes, including, but not limited to, private equity, direct privately held company investments, growth equity, fixed income, real estate, publicly traded securities, private debt, and External Funds (defined below) that themselves invest in alternative assets such as hedge funds, venture capital, private equity funds, and other asset classes.

MSA recommends to its clients investments in (or MSA, on behalf of certain clients, has the discretion to invest in) certain pooled investment funds, vehicles, and separate accounts managed by third-party managers (collectively, the "External Funds"). MSA invests in a variety of External Funds that are pooled investment vehicles with investment strategies that encompass publicly traded equities, corporate debt, asset-backed bonds, and idiosyncratic strategies. These External Funds may own both "long" and "short" positions. In addition to the above External Funds strategies that generally invest in traded securities, MSA also recommends to its clients and invests client assets in External Funds that are private equity, venture capital, and real estate funds, and other private funds in non-traded asset classes. In addition, MSA advises clients with respect to co-investments made alongside existing and prospective External Funds.

The foregoing is not a comprehensive description of services that MSA provides to clients, nor are the descriptions necessarily the only ways in which services are provided.

As of December 31, 2023, MSA managed approximately \$8.117 billion of client assets, comprised of approximately \$5.906 billion managed on a discretionary basis and the balance managed on a non-discretionary basis.



## **Item 5: Fees and Compensation**

### ***Management Fees and Performance-Based Compensation***

The description below of MSA's fees and compensation is intended to provide a summary of the more typical fee structures shared by certain types of client accounts and is not intended to describe every fee arrangement between MSA and its clients. At times, MSA, at its discretion, will agree to reduce, waive, rebate, modify or otherwise calculate differently all or a portion of the fees as to any given client or Fund investor, or will agree with a client or Fund investor to other changes in the fees with respect to such client or Fund investor, including with respect to both management fees and performance-based compensation.

MSA generally charges clients (i.e., Non-Discretionary Clients, other than the Funds) management fees on a calendar quarter basis, in arrears, at a rate of 1.00% annually / 0.25% per quarter on the value of assets under management, as that term is defined in the investment management agreements between MSA and its clients. However, other arrangements may be negotiated with individual clients. In addition, MSA charges such clients performance-based fees (or a "carried interest" or "profits re-allocation") of up to 10% of the gains in client accounts. See Item 6 below for further details. For Non-Discretionary Clients, quarterly management fees and related expenses described herein are billed to such clients and paid separately from assets under management (i.e., not deducted from investment assets). For Single-Client Vehicles, fees are deducted from each such client's assets.

Each Fund generally pays MSA an annual management fee in exchange for investment advisory services as set forth in more detail in the applicable Fund Governing Documents. The Fund's general partner will generally make capital calls from the investors for the amount of MSA's management fees and pay the amounts received to MSA. In addition to the management fees described above, with respect to each Fund, MSA will also be entitled to receive a performance-based income allocation from such Fund after certain performance hurdles have been met, as further described in the applicable Fund Governing Documents. Such performance-based allocation represents a portion of each Fund's net investment profits.

MSA creates certain special purpose vehicles, alternative investment vehicles, co-investment entities or other similar structuring vehicles for purposes of accommodating certain administrative and operational convenience, legal, tax, regulatory, or other purposes (collectively, the "SPVs"). MSA serves as the general partner or managing member of the SPVs, which generally are not considered separate clients of MSA. MSA will charge management fees or receive performance-based income allocation for its services to certain SPVs. SPVs also bear expenses that are similar to those described herein. Fees and performance-based allocation received from the SPVs will generally reduce or offset management fees or carried interest otherwise payable by the clients, as investors in the SPVs, directly to MSA to avoid duplicate fees.

MSA and/or its personnel (including certain family members of such personnel) invest in the Funds and SPVs. Generally, MSA and/or its personnel are not subject to management fees or performance-based compensation with respect to their investments in the Funds or SPVs. All investors, including MSA and/or its personnel, pay expenses incurred by the Funds and SPVs.



### ***Other Types of Fees and Expenses***

Under the investment management agreements, Non-Discretionary Clients and Single-Client Vehicles agree to reimburse MSA for expenses incurred by MSA in the oversight of such client accounts. These fees will include (a) account-related expenses including third-party fees, costs and expenses related to professional services, including legal, custodial, administration, auditing, valuation, appraisal, investment banking, consulting, depositary, safekeeping, tax, accounting, including expenses paid or incurred in connection therewith, and other professional fees and expenses; (b) expenses in connection with investments and potential investments whether or not consummated, including the discovery, evaluation, execution, acquisition, holding, development, management, monitoring, refinancing, and disposition thereof, which fees, costs and expenses include travel, accommodation, meal and entertainment expenses related to such investments or potential investments, private placement fees, syndication fees, bank charges, closing and execution costs, sales commissions, appraisal fees, taxes, underwriting commissions and discounts, brokerage fees and information services; and (c) fees, costs and expenses relating to reporting obligations, including expenses associated with the preparation of financial statements and Schedule K-1s. In the case of Single-Client Vehicles, expenses are incurred in connection with the formation and organization of such Single-Client Vehicles. The allocation of these expenses among clients is generally based on the relative size of assets under management for each participating client, though if expenses are related to specific clients or investments, such expenses will be allocated directly to the relevant clients or investments.

Consistent with the Fund Governing Documents, in addition to the management fees and performance-based compensation, each Fund will bear certain expenses incurred in connection with the organization of the applicable Fund, general partner, or managing member, as applicable (including, without limitation, any alternative investment vehicles of any of the foregoing), including third party legal and accounting fees, travel and out-of-pocket expenses, and all costs and expenses incurred in connection with the offering of applicable Fund interests (but excluding any placement fees); provided that organizational expenses payable by the Funds are generally subject to caps. Organizational expenses in excess of such caps and any placement fees (if any) are generally paid by the Funds but borne by MSA through a 100% offset against the management fee.

In addition, each Fund, as set forth in the Fund Governing Document, is responsible for all expenses relating to its own operations, including, but not limited to: all third-party costs, fees, expenses, and other liabilities arising in connection with such Fund operations, including all costs and expenses incurred in investigating, developing, negotiating, structuring, acquiring, trading, settling, monitoring and holding investments (whether or not consummated), travel, legal, tax and accounting expenses in connection therewith; Broken Deal Expenses (as defined below); brokerage fees and commissions and prime brokerage fees, custodial expenses, agent bank and other bank service fees and other investment costs; capital call credit line fees and interest; administration fees and expenses; payments to legal counsel, tax advisors, auditors, accountants, administrators, custodians, consultants and other outside advisors; insurance expenses directly incurred by the Funds and the Funds' reasonable share of insurance expenses incurred by MSA for insurance that covers the Funds; market data costs; research and deal origination-related



expenses, including, without limitation, news and quotation equipment, software and services; other expenses related to the purchase, monitoring, sale, settlement, custody or transmittal of Fund assets; costs of any investigation, litigation or threatened litigation relating to the business or activities of the Fund or the general partner; indemnification obligations; interest and other expenses for borrowed money; taxes, fees or government charges that may be assessed against the Fund; any extraordinary expense of the Fund, including fees and expenses associated with any tax or other audit, investigation, settlement or review of the Funds; liquidation expenses of the Funds; expenses of annual and special meetings of the limited partners; and costs of preparing financial statements and reports to the limited partners as well as tax returns and Schedule K-1s.

For the avoidance of doubt, any travel expenses described herein may include expenses associated with the use of private aircraft, business class or first-class travel (including ground transportation) and/or lodging at five-star or similar hotels, car service, dinners, or other meals at high-end restaurants, and social and entertainment gatherings and events with, among others, management teams of potential and current portfolio company investment, clients, borrowers, brokers, service providers, and other third-parties.

In addition to the expenses described above, MSA may receive, from time to time, pursuant to client investment management agreements and Fund Governing Documents, from prospective and current portfolio companies of the client accounts, including the Funds, acquisition and disposition fees, financial consulting fees, directors' fees, advisory fees, monitoring fees, other deal fees, break-up fees, and other similar fees ("Portfolio Income Fees"), in connection with services provided to the client accounts, including the Funds. Such Portfolio Income Fees will generally reduce the management fee otherwise payable to MSA, as calculated in accordance with the applicable client investment management agreements and Fund Governing Documents. However, MSA retains the ability to receive incremental compensation in connection with certain portfolio company services, as well as compensation in connection with certain activities of the clients with the client account portfolio companies (e.g., endorsements), and such compensation will not constitute Portfolio Income Fees (which is further defined and described in Item 8 as "Client Service Fees"). For the avoidance of doubt, as set forth in the applicable investment management agreements and Fund Governing Documents, Portfolio Income Fees will only include the portion thereof that is allocable to the relevant clients, including the Funds.

In certain instances, as provided for in the client investment management agreements and Fund Governing Documents, MSA personnel or third party advisors may be employed or engaged by and assist one or more portfolio companies in an operations capacity, which for example may involve interim management roles or legal counsel or other similar forms of operations support, including finance/accounting, legal, paralegal, corporate governance and other support services ("Support Services Costs"). The compensation received for the Support Services Costs, directly or indirectly, by MSA or third party advisors from or in respect of portfolio companies will not reduce the management fee otherwise payable by a client, including the Fund, and all or a portion of that compensation will be borne by the client, including the Fund directly or indirectly via its ownership interest in such portfolio companies.

MSA receives no compensation from third-party managers, finders, placement agent fees (if any), or other parties, nor does it receive commissions from any client investments or activities.





However, the underlying External Funds in which the clients invest charge management fees, performance fees, and other fees and expenses charged by the applicable External Funds' investment managers (the "External Fund Managers"), and the clients (including MSA and/or its personnel as investors in the External Funds) bear such fees and expenses. Such fees and expenses charged by External Funds Managers are in addition to the fees and expenses charged by MSA as described above, regardless of whether the client may achieve any gain with respect to such investments.

The Fund Governing Documents have provisions that allow the Funds to borrow money for investment and other purposes. Such borrowings may be made prior to the capital being called from the applicable Fund's investors (e.g., fund subscription lines). This mechanism may defer investor capital calls and provides a form of leverage that can have the effect of amplifying the Fund's reported net internal rate of return (IRR), particularly in the early years of the Fund's investment cycle. Such borrowings can also accelerate the date upon which the Fund's preferred return will be achieved for purposes of determining when MSA is entitled to begin receiving carried interest distributions from the applicable Fund. Interest payments and other fees and expenses incurred in respect of such borrowings are partnership expenses, and such expenses will decrease a Fund's net returns over time.

The Funds' investments will at times require extensive due diligence activities prior to investment. These expenses may include, among others, expert consulting, accounting, legal and other professional fees, submission costs, travel expenses, and other costs incurred in conducting due diligence and financial analysis. Such expenses may be quite substantial, even for investments that are not ultimately consummated ("Broken Deal Expenses"). Broken Deal Expenses will generally be borne solely by the Funds, even if co-investors and clients were being sought or in some cases had agreed to participate had the transaction been consummated. Such co-investors include those with whom MSA has pre-existing relationships with MSA (i.e., External Funds Managers and their personnel), MSA personnel, clients, third parties, as well as co-investors that have participated in other completed transactions. By generally bearing the Broken Deal Expenses, the Funds provide a potential benefit to other co-investors in the Funds' investments.

Detailed information regarding fees and expenses charged to each Fund is provided in the applicable Fund's Governing Documents. Clients and Fund investors should review all fees charged by MSA, and others to fully understand the total amount of fees to be paid by the clients and relevant Fund and, indirectly, its investors, and expenses that will be borne by clients, including the Funds.

### ***Fees Upon Termination of Advisory Client Relationships***

Generally, other than with respect to the Funds, MSA's engagement by its investment advisory clients may be terminated with thirty (30) days prior notice to the end of the initial term or any subsequent term. MSA's engagement by such investment advisory clients may also be terminated at any time for cause or otherwise by the client at their sole discretion. "Cause" is defined in detail in the investment advisory agreements with such clients but is generally based on MSA's fraud, bad faith, gross negligence, intentional misconduct, willful malfeasance, an unremedied failure to correct material miscalculation of fees, or a documented failure by MSA to



respond to a client's inquiries regarding portfolios. In the event of any termination by the client other than for cause, the client may retain any of the investments then under MSA's supervision; provided that for a period of five (5) years from the date of termination, the client will continue to pay MSA management and performance fees under the terms of the applicable investment management agreement with respect to any retained investments. After five (5) years, MSA's right to receive fees on such investments will expire. With respect to unmarketable or investments not readily subject to being liquidated, MSA will continue to earn management fees until the earlier of five (5) years or the disposition of the investments. With respect to performance fees on these investments, the investment advisory agreement provides a mechanism for a valuation of the investments and a performance fee as if the investment were liquidated as of the end of the five-year period.

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

MSA charges investment advisory clients (other than the Funds) performance-based fees of up to 10% of the gains in client accounts. For investments from which MSA, on behalf of the clients, has the right to redeem at its discretion, which include External Funds such as open-end funds and hedge funds that generally invest in publicly traded or marketable securities (for purposes of this description of performance fees, "Liquid Investments"), the performance fee is based on the annual appreciation of these assets. For other investments, from which MSA, on behalf of its clients, does not have the ability to elect to redeem at its discretion, which include External Funds (e.g., closed-end funds such as private equity funds and venture capital funds), direct private equity, privately held company investments, commercial real estate and other non-traded asset classes (for purposes of this description of performance fees, "Illiquid Investments"), the performance fee is only earned and paid upon realized gains during the period and not on any change in value that is unrealized (regardless of whether the unrealized amount is a gain or a loss). In each measurement year, increases or decreases in the value of the Liquid Investments are combined with any realized gains or losses in Illiquid Investments to determine the performance fee. If a realized loss occurs during a period when the Liquid Investments have declined in value, and therefore no performance fee is earned, the loss will be carried forward and applied to future performance fee calculations. Generally, any realized losses from Illiquid Investments will offset gains on Liquid Investments during any measurement period. A more detailed description of this calculation is included in the investment management agreements with the clients.

Such performance fees charged to clients are subject to a "high-water mark" test, such that the value of the Liquid Investments must always exceed the previous value on which a performance fee was owed (that value being the high-water mark). In certain discretionary accounts where MSA serves as a general partner or managing member (i.e., Single-Client Vehicles), the performance fee charged to MSA's clients may take the form of a profits re-allocation to the capital account of the general partner or managing member, as opposed to a fee payment directly by the client, calculated on the same basis as set forth in the preceding paragraph.

As noted in Item 5 above, with respect to each Fund, MSA is entitled to receive performance-based compensation from such Fund after certain performance hurdles have been met. The economic returns and fee structure of the Funds are provided for under the terms of the applicable Fund Governing Documents. To the extent other clients are investors in Funds, the



calculation of gains and performance-based fees under the client's investment management agreement reflect such economics so as to avoid duplicate fees.

Clients, Fund investors, and prospective clients should be aware that performance-based fee arrangements could create an incentive for MSA to recommend investments that might differ from those which would be recommended under a different fee arrangement, in that MSA could be incentivized to take greater risk to earn greater client returns and therefore greater incentive compensation. MSA does not allocate investments based on a client's fee structure, including whether the client pays a performance-based fee, and does not otherwise allocate investments to benefit itself, its officers, or employees to the detriment of the clients.

Although MSA has the discretion to charge different fees to clients, which could create an incentive to favor higher fee client accounts, MSA endeavors at all times to put the interest of the clients first, and as part of its fiduciary duty, MSA takes the following steps to address these potential conflicts:

- MSA discloses to clients, Fund investors, and prospective clients in the investment advisory agreements and Fund Governing Documents the existence of multiple clients and that each client account may differ from other client accounts, that MSA may not consider each client for every investment opportunity and that other potential conflicts of interest may exist or arise;
- Through regular consultation with clients' accountants, counsel and other advisors, MSA works to ensure that Single-Client Vehicles, Non-Discretionary Clients and any prospective investments are appropriate for the client's financial goals, objectives and risk tolerance;
- MSA has implemented written policies and procedures for fair and equitable allocation of investment opportunities among client accounts, subject to the client's underlying strategy, legal, tax, regulatory, risk management, concentration, exposure, cash levels, client mandate considerations, and other factors described below in Item 12;
- MSA periodically compares holdings and performance of the Single-Client Vehicles and Non-Discretionary Clients to identify significant performance disparities and ensure such client accounts have investments, External Funds and opportunities, subject to the preferences, investment objectives, and risk tolerance of such clients;
- MSA educates employees regarding the responsibilities of a fiduciary, including the equitable treatment of all clients, regardless of the fee arrangement.

Performance-based compensation will only be charged to "qualified clients" in accordance with the provisions of Rule 205-3 of the Advisers Act.



## **Item 7: Types of Clients**

MSA's clients on a discretionary basis (through Single-Client Vehicles) and non-discretionary basis (the Non-Discretionary Clients) consist primarily of high net worth individuals and families and their related private charitable foundations, trusts, select institutional investors, and other entities. MSA generally requires clients to place at least \$10 million under an advisory relationship; however, MSA maintains discretion to accept less than the minimum threshold.

As described above in Item 4 above, MSA also provides investment advisory services to the Funds. The investors in the Funds generally include the clients and other non-client investors such as endowments, foundations, public and private pension funds, funds-of-funds, U.S. and non-U.S. institutional investors, family offices, high net worth individual investors, and other investment funds. With respect to Funds, minimum investments are generally set forth in each Fund Governing Document; however, MSA may reduce or waive the minimum investment amount at its sole discretion.

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

Fund investors should refer to the Fund Governing Documents for a more detailed description of the methods of analysis employed by MSA, each Fund's investment strategy, and the risk of loss associated with an investment in a Fund.

MSA provides clients (other than the Funds) with a portfolio designed to give the clients exposure to varying investment strategies while also addressing specific sensitivities, limitations and / or restrictions to which such clients may be subject. MSA recommends to its clients investments in (or MSA, on behalf of its clients, has the discretion to invest in) a variety of External Funds with different investment strategies that are based on the asset class (i.e., public equities, U.S. vs. non-U.S., equity, credit, debt, hedged vs. long-only, private equity, real estate, and other non-traded asset classes), historical returns relative to appropriate benchmarks (taking into account factors such as exposure levels and volatility) and the organizational and operational soundness, size, disposition, and investment style of the External Funds Managers. Client accounts, through the External Funds, have exposure to public and private equity, and debt markets around the world, and have diversification in terms of company size, industry segments, and currency exposure. For External Funds with a closed-end structure, MSA seeks to compound capital over multi-year periods while lowering volatility and correlation to general public equity market returns. Clients should realize that performance will be variable, and that during any month, quarter or year, the value of the client accounts may decline and may underperform standard equity market benchmarks. MSA believes that these External Fund Managers can help achieve this objective through security selection and, where applicable, measured use of shorting and hedging strategies and exposure to markets other than the public equity markets, such as asset-backed bonds, high yield and distressed debt, non-U.S. stocks and idiosyncratic "event-based" strategies. MSA performs quantitative and qualitative analyses of past performance to understand the factors behind returns. MSA evaluates the External Fund Managers with an approach involving personal interviews and due diligence meetings of the External Fund Managers and analysis of documents provided. External Fund Managers employ methods of analysis and investment strategies that are identified in the appropriate and relevant documents, which may include, the External Fund



Managers' Form ADV Part 2A and / or the constituent documents of an External Fund. Nevertheless, investing in these External Funds involves the risk of loss that clients should be prepared to bear.

In addition, MSA targets investment opportunities in direct public equity investments in a range of sectors, including but not limited to, consumer products and services, health and wellness, media and entertainment and sports and gaming industries, information technology, and financial services. MSA maintains a concentrated, high-conviction portfolio and uses a variety of diligence methodologies, including but not limited to: (i) fundamental analysis and a due diligence process of publicly available information, that typically includes the review of the public company's strategy, financials, management, and the business, industry, and competitive landscape; (ii) valuation of the proposed investment as it relates to the comparable public market companies and; (iii) publicly available third-party equity research and equity market analysis. Once a public equity investment is made, MSA conducts ongoing portfolio company monitoring with relevant performance benchmarking.

In addition, MSA targets investment opportunities in direct growth private equity and equity-related investments focusing on minority and non-control investments in a range of sectors, including but not limited to, consumer products and services, health and wellness, media and entertainment and sports and gaming industries, real estate, and other illiquid investments. MSA believes that its ability to create strategic partnerships among the clients and investment opportunities yields differentiated and profitable investment opportunities for clients. The investment process includes: (i) the identification and evaluation of companies, utilizing MSA's network, as well as external sources, to provide deal flow; (ii) fundamental analysis and a due diligence process that typically includes the review of the target company's structure, strategy, financials, management, and the business, industry, and competitive landscape; (iii) inputs from external resources such as clients, executives, and industry professionals within MSA's network; (iv) valuation of the proposed investment as it relates to the comparable companies and / or recent market transactions; and, (v) portfolio company monitoring after an investment is made.

The foregoing is not a comprehensive list of the methods of analysis and strategies that MSA may employ, nor are the descriptions necessarily the only ways in which the methods of analysis and strategies may be implemented.

## ***I. Risk Factors***

The investment strategies pursued by MSA involve a number of significant risks. These investment strategies may be deemed to be speculative. Such investment strategies are not intended to be utilized as complete investment programs. They are designed for sophisticated investors who fully understand and are capable of bearing the risk of such investments. What follows below is a brief discussion of some, but not all, of the risk factors that should be carefully evaluated before becoming a client or investing in a Fund. Clients and Fund investors should also refer to their Fund Governing Documents and other relevant documents for additional/supplemental information regarding risk.



#### *A. General*

##### *No Assurance of Investment Return*

MSA does not guarantee the future performance of any client account, including the Funds, the success of any investment decision or strategy that MSA employs or the success of MSA's overall management of any client account, including the Fund. Any investment made by MSA on behalf of client accounts, including the Funds, involves significant risk, including the risk of loss of all or substantially all capital investments. Past performance is no guarantee or predictor of future results and there is no assurance that these or comparable returns will be achieved by any client account or that a client account's investment objective will be achieved. Clients and Fund investors should be prepared to bear the loss of the entire amount of their investment. MSA cannot provide assurance that it will be able to choose, make or realize investments in any particular company, portfolio of companies, or External Funds. There can be no assurance that client accounts will be able to generate returns or avoid losses for the clients and Fund investors or that the returns will be commensurate with the risks of investing in the types of companies, External Funds, and transactions described herein. There can be no assurance that any client or Fund investor will receive any distribution from a client account, including the Fund. Any return on investment to the client or Fund investor will depend upon successful investments being made by the applicable client account, including the Fund. The marketability and value of any such investment will depend upon many factors beyond the control of MSA. The expenses of a client account, including the Fund may exceed its income, and a client and Fund investor could lose the entire amount of its contributed capital. Therefore, a client and Fund investor should only invest in a client account, including the Fund, if the client or Fund investor can withstand a total loss of its investment.

##### *Nature of the Private Equity or Equity-Related Investments, and External Funds*

A substantial portion of the client account's investments, including the Fund's investments, will be in private equity, private equity-related investments that by their nature involve business, financial, market and legal risks. While such investments offer the opportunity for significant capital gains, they also involve a high degree of risk that may result in substantial losses. There can be no assurance that MSA will correctly evaluate the nature and magnitude of the various factors that could affect the value of such investments. Prices of the investments may be volatile, and a variety of other factors that are inherently difficult to predict, such as domestic or international economic, and political developments, may significantly affect the investment performance results and activities of the client accounts, including the Funds. In addition, information provided by External Fund Managers is limited and MSA is not in a position to confirm the completeness, genuineness or accuracy of such information and data provided. Risks associated with portfolio investments, including the External Funds are further described below. As a result, a client account's performance, including the Fund's performance over a particular period may not necessarily be indicative of the results that may be expected in future periods.





### *Difficulty of Locating Suitable Investments*

Competition for investment opportunities is highly competitive. Identification of attractive investment opportunities by MSA is difficult and involves a high degree of uncertainty and will be subject to market conditions. Competitors may have more relevant experience, greater financial resources, a greater willingness to take on risk, lower cost of capital, an ability to achieve operational synergies that are not available to the clients, including the Funds, or more personnel than MSA. Identifying and selecting External Funds also is difficult and there can be no assurance that MSA will be able to identify and select high quality External Fund Managers that offer investment opportunities within a client account's investment period or investment mandate. Therefore, there are no assurances that the client accounts, including the Funds will be able to invest their committed capital fully or that suitable investment opportunities will be identified. Moreover, the historical performance of any portfolio investment or any External Fund Manager is not a guarantee or indication of its future performance, and returns may decline and the favorability of terms upon which investments are made may decrease as the number of funds similar to the client accounts, including the Funds operating in the marketplace increases. For example, increased competition may make it more difficult to obtain buyer-favorable terms in a private equity transaction, such as receiving an indemnification by the seller for a breach of representations or warranties, the ability to terminate a transaction if financing sources become unavailable or unwilling to fund, or the ability to terminate a transaction if there has been a material adverse change in a portfolio company's business prior to closing of a Private Equity Investment. There can be no assurance that MSA will be able to identify or consummate investments satisfying the investment criteria of the client accounts, including the Funds. Likewise, there can be no assurance that the client accounts, including the Funds will be able to realize the values of their Private Equity Investments and investments in External Funds. To the extent that MSA encounters competition for these investments, returns to clients and Fund investors may decrease.

### *Unforeseen Events Risk*

Client investments, including investments made by the Fund, may be subject to catastrophic events and other force majeure events such as fires, earthquakes, tsunamis, adverse weather conditions, product recalls, data breaches, changes in law, eminent domain, riots, terrorist attacks, epidemics and similar risks. These events could result in the partial or total loss of one or more investments or significant down time, resulting in lost revenues, among other potentially detrimental effects. MSA may seek to obtain insurance coverage for one or more such events, but MSA will have no obligation to do so, and there can be no assurance that any such coverage will be available on what MSA deems to be reasonable terms. As a result, any losses resulting from any such force majeure or other catastrophic events may not be covered by insurance, and the clients and Fund investors will indirectly bear the expense of any insurance obtained.

### *COVID-19, Risks Related to Public Health Crises*

A public health crisis, pandemic, epidemic or outbreak of a contagious disease, such as the recent outbreak of COVID-19, SARS, H1N1/09 flu, avian flu, other coronaviruses, Ebola or other existing or new epidemic diseases, or the threat thereof, in the United States and other countries, could have an adverse impact on a client, including the Fund, and its portfolio investments and



could adversely affect a client's ability, including the Fund's ability, to fulfill its investment objectives. Disruptions to commercial activity relating to the imposition of quarantines (including "shelter-in-place" or "lock-down" directives) or travel restrictions (or more generally, a failure of containment efforts) may adversely impact the value and performance of the portfolio company and External Fund investments. For example, portfolio company investments may have a temporary reduction in customers, supply chain disruptions, or staffing shortages. Finally, the outbreak of COVID-19 has contributed to, and may continue to contribute to, volatility and instability in the financial markets. In addition, the physical impact of any illness on MSA's key persons or those of the portfolio companies in which the clients invest, could materially disrupt their business operations, and similar disruptions may occur among their service providers and counterparties. While there have been governmental responses to the potential negative effects of coronavirus, it is unclear how effective these responses are or what impacts they may have on the financial markets, investor confidence and overall economic conditions. The impact of a public health crisis such as COVID-19 (or any future pandemic, epidemic or outbreak of a contagious disease) is difficult to predict, which presents material uncertainty and risk with respect to the client's performance.

#### *Cybersecurity*

MSA and its service providers are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from both intentional cyber-attacks and hacking by other computer users as well as unintentional damage or interruption that, in either case, can result in damage or interruption from computer viruses, network failures, computer and telecommunications failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. In general, cyber-attacks are deliberate, but unintentional events may have similar effects. A cybersecurity breach could expose MSA, client accounts, including the Funds, portfolio companies, and, External Funds, External Fund Managers to substantial costs (including, without limitation, those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage), civil liability as well as regulatory inquiry and/or action. Clients, including Fund investors could be exposed to additional losses as a result of unauthorized use of their personal information. While MSA has established business continuity plans and systems reasonably designed to prevent cyber-attacks, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified. Similar types of cybersecurity risks also are present for portfolio companies and in which a client invests, which could result in material adverse consequences for such issuers, and may cause a client's investment in such securities to lose value. In addition, cybersecurity risks may also impact issuers of securities and companies in which the External Funds invest, which may cause an External Fund's investment to lose value.





### *Privacy, Data Protection and Information Security Compliance Risk*

Compliance with current and future privacy, data protection and information security laws could significantly impact current and planned privacy and information security-related practices, the collection, use, sharing, retention, destruction and safeguarding of personal data, and such compliance could increase costs for a client, including a Fund, and/or its portfolio companies. A failure to comply with such laws and regulations could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations of a client account, including a Fund, and/or its portfolio companies and overall business, as well as have an impact on reputation.

### *Dependence on Key Personnel*

The success of the client accounts, including the Funds will be highly dependent on the expertise and performance of MSA's professionals. There can be no assurance that any individual professional will continue to be associated with MSA throughout the life of the client accounts, including the Funds, as they are under no contractual obligation to remain with MSA for all or any portion of the term of the client accounts, including the Funds. The ability to recruit, retain and motivate such professionals is dependent on the ability of MSA to offer attractive incentive opportunities. The loss of the services of one or more of these individuals could have a material adverse effect on the performance of the client accounts, including the Funds.

### *Uncertainty of Financial Projections*

Financial and other information concerning the client accounts', including the Funds' investments may only be available through certain sources, including the portfolio companies and External Fund Managers themselves. Such involvement of portfolio companies, External Fund Managers and sources such as third-party advisors or consultants may present risks primarily relating to MSA's reduced control of the functions that are outsourced. There may be no consistent means of confirming the accuracy of information. It may also be impractical or undesirable to carry out substantial due diligence before an investment is acquired. The portfolio companies may have little or no previous credit histories. Similarly, the External Fund Managers may have limited or no track records and/or operating histories. The inaccuracy of certain assumptions and general economic conditions, which are unpredictable, can have a materially adverse impact on the reliability of such projections. There can be no assurance that attempts to provide downside protection with respect to investments will achieve their desired effect, and potential clients and potential Fund investors should regard an investment with MSA as being speculative and having a high degree of risk.

### *Asset Valuations*

There is no actively traded market for many of the securities and investments to be owned by the client accounts, including the Funds. The process of valuing securities and investments for which reliable market quotations are not available—even if performed by a qualified third party—is based on inherent uncertainties. The resulting values may differ from values that would have been determined had an active market existed for such securities and investments, and may differ



from the prices at which such securities and investments may ultimately be sold. Further, third-party pricing information for publicly traded or registered securities may at times not be available regarding certain of the client accounts', including the Funds' assets. There can be no assurances that the projected results will be obtained, and actual results may vary significantly from the valuations. A client's interest in an External Fund is generally valued by the External Fund Manager. MSA generally relies on these valuations in calculating a net asset value for reporting, withdrawals, fees and other purposes. Such valuations may not be indicative of what actual fair market value would be in an active, liquid, or established market. General economic, political, regulatory, and market conditions and the actual operations of the portfolio companies and External Fund Managers, which are not predictable, can have a material impact on the reliability and accuracy of such valuations.

#### *Misconduct of Employees, Independent Contractors, and Third-Party Service Providers*

Misconduct or misrepresentations by employees and independent contractors of MSA or by third-party service providers could cause significant losses to the client accounts, including the Funds. Employee or independent contractor misconduct may include binding the client accounts, including the Funds to transactions that exceed authorized limits or present unacceptable risks and unauthorized trading activities, concealing unsuccessful trading activities (which, in either case, may result in unknown and unmanaged risks or losses) or making misrepresentations regarding any of the foregoing. Losses could also result from actions by third-party service providers, including, without limitation, failing to recognize transactions and misappropriating assets. In addition, employees, independent contractors and third-party service providers may improperly use or disclose confidential information, which could result in litigation or serious financial harm. Despite MSA's due diligence efforts, misconduct and intentional misrepresentations may be undetected or not fully comprehended, thereby potentially undermining such due diligence efforts. As a result, no assurances can be given that the due diligence performed by MSA will identify or prevent any such misconduct.

#### *Reliance on Service Providers*

MSA will utilize the services of third-party service providers such as the Funds' auditors, administrators, outside counsels, accountants, custodians, and other consultants. MSA, the client accounts, including the Funds generally rely on such service providers for their professional judgment with respect to legal, tax, accounting, operational, regulatory and other matters. There exists a risk that such service providers may provide incorrect advice from time to time or may otherwise make errors when providing services, and the client accounts, including the Funds, may bear the risk of any errors or omissions by such service providers. Additionally, subject to certain limitations, the client accounts, including the Funds may be required to exculpate and indemnify such service providers for any losses incurred.

#### *Systems and Operational Risks*

The client accounts, including the Funds will depend on MSA to develop and implement appropriate systems for the client accounts', including the Funds' activities. Certain of the client accounts', including the Funds', and MSA's activities will be dependent upon systems operated



by third parties, and MSA may not be in a position to adequately verify the risks or reliability of such third-party systems. Disruption to third-party critical service providers, such as the Funds' auditors, administrator, outside counsel and custodian, may result in other disruptions in the Funds' operations, which may cause the Funds to suffer, among other things, financial loss, business disruption, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing failures or disruptions could have a material adverse effect on the client accounts, including the Funds.

### *Impact of Government Regulation and Reform*

Certain industry segments in which a client intends 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 a client intends to invest in companies that seek to comply with applicable laws and regulations, the laws and regulations relating to certain industries are complex, may be ambiguous or may lack clear judicial or regulatory interpretive guidance. An adverse review or determination by any applicable judicial or regulatory authority of any such law or regulation, or an adverse change in applicable regulatory requirements or reimbursement programs, could have a material adverse effect on the operations and/or financial performance of the companies in which a client invests.

### *Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes*

The alternative asset management industry continues to receive scrutiny from governments across the globe. As a result, MSA and clients (including the Funds) are subject to laws and regulations enacted by numerous jurisdictions some of which may be inconsistent. It is impossible to predict the implications of changes, if any, in the laws or regulations applicable to MSA or clients relating to, among other things, privacy and data protection with respect to personal data, anti-money laundering, and trading and investment activities. As a result, MSA or clients may incur significant additional costs to comply with such regulatory requirements. In addition, there can be no assurance that any such governmental scrutiny or regulation will not have an adverse impact on the activities of MSA or clients, including the ability for MSA or clients 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 alternative asset managers and their investments by various politicians, regulators and market commentators, and the public perception of certain alternative asset managers, including hedge funds and private equity firms, may complicate or prevent a client's efforts to achieve its investment objectives.

## *B. Risks Generally Associated with Investments*

### *1. Risks Associated with External Funds Investments and External Fund Managers*

As discussed above, clients (excluding the Funds) invest a substantial portion of their assets in External Funds. Certain risks related to investments with the External Fund Managers and the associated External Funds are listed below. Each External Fund's strategy will involve a different



set of complex risks, many of which are not described herein. Each prospective client should make such investigation and evaluation of such risks as such client concludes is appropriate.

#### *Broad Investment Mandate Across Asset Classes, Investment Strategies and Geographies*

Clients have flexible investment policies that will allow such clients to invest in External Funds with investment programs across all markets, strategies, geographies, categories of investments. MSA will select investments on the basis of information and data prepared by External Fund Managers as well as third parties. Although MSA evaluates available information and data and seeks independent corroboration when MSA considers it appropriate and reasonably available, MSA is not in a position to confirm the completeness, genuineness or accuracy of such information and data provided by the External Fund Managers and third parties. No assurance can be given that the investment strategies of an External Fund Manager will be successful under all or any market conditions.

Clients will not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding the investments to be made by MSA and, accordingly, will be dependent upon MSA's judgment and ability in investing and managing their capital. An investment strategy MSA deploys includes making investments in External Funds across a variety of product types and assets in a variety of geographic locations. Accordingly, MSA needs to maintain expertise, relationships and market knowledge across a broad range of product types and geographic regions, and will be subject to the market conditions affecting each such product type in various geographical regions and markets. This multi-sector approach could require more management time, staff support and expense than an investment adviser whose focus is dedicated to a greater extent on a single product type than is contemplated by MSA's investment program.

Moreover, External Fund Managers make their trading decisions independently, it is theoretically possible that one or more of such External Fund Managers may, at any time, take investment positions that are opposite of positions taken by client accounts or other External Fund Managers. It is also possible that these External Fund Managers may, on occasion, be competing for similar positions at the same time. Lastly, a particular External Fund Manager may take positions for its other clients that are opposite to positions taken for the External Funds in which a client invests.

#### *Fees and Expenses*

In addition to the management fees and performance fees, if any, charged by MSA to the clients, each External Fund Manager will generally charge the client, either directly or indirectly, a management fee and performance fee, and clients will incur expenses by such External Fund Manager. These fees and expenses will reduce the returns for clients.

#### *Opportunities to Invest in External Funds*

Gaining access to certain External Funds is difficult. There can be no assurance that MSA will be able to secure sufficient opportunities for its clients to invest in such External Funds. Competition for an allocation into these External Funds is intense and MSA is competing for



opportunities with pension funds, endowments, foundations, other funds-of-funds, and other investors that have substantially larger pools of available capital for deployment, longer histories of investing in External Funds and other qualities that may make them more attractive to the External Fund Managers. Identifying and selecting External Funds also is difficult and there can be no assurance that MSA will be able to identify and select high-quality External Funds that offer investment opportunities within a client's investment period or investment mandate.

#### *Reliance on External Fund Managers; Lack of Available Information*

Generally, neither MSA nor the clients will have any control or have an active role over the activities of or decisions made by the External Funds Managers, nor any voting or other rights that may allow MSA to affect the interests of the clients. MSA relies on certain key personnel at the External Fund Managers. The departure of any of the key personnel or their inability to fulfill certain duties at the External Fund Manager may adversely affect the External Fund Manager's ability to effectively implement the management and investment objectives of the External Fund. MSA is highly dependent upon the expertise and abilities of the External Fund Managers who have investment discretion over the assets invested with them. Furthermore, while MSA conducts due diligence (i.e., legal, compliance, operational and accounting reviews) on the External Funds and External Fund Managers prior to making an investment, and while MSA monitors the performance of the External Funds and generally receives portfolio information from each External Fund Manager, the information MSA receives may not always be complete, timely or accurate, and will not be independently verified by MSA. In addition, MSA will attempt to evaluate each External Fund based on its portfolio investments at the time of investment from available information, such as the performance history of the External Fund and the investment strategies of the External Fund. Past performance of External Fund Managers, may not, however, be a reliable indicator of future results, and External Fund Managers, its personnel and investment strategy may change without MSA's consent. Many of the External Funds may be recently formed and may have no independent operating history upon which to evaluate their performance. Similarly, the External Fund Managers may have limited or no track records and/or operating histories with limited regulatory oversight. These factors can negatively impact the financial returns and adversely affect the investment results for the clients. As a result, the performance of External Fund Managers over a particular period is not necessarily indicative of the results that may occur in future periods.

#### *External Funds' Investments*

Identifying and participating in attractive investment opportunities by the External Fund Managers is difficult. There often will be little or no publicly available information regarding the status and investment prospects of the External Funds and their portfolio investments. Investment decisions by MSA to invest in External Funds will be dependent upon the ability of MSA personnel to obtain relevant information from non-public sources and MSA will be required to make decisions without complete information or in reliance upon the information provided by the External Fund Managers and third parties that is impossible or impracticable to verify. MSA may not have the ability to conduct a qualitative review or analysis of the merits of a particular External Fund and its underlying investment opportunities or portfolio investments, especially the uncertainty about the market value of the portfolio investments. There can be no assurance that MSA or the External Fund Managers will correctly evaluate the nature and magnitude of the



various factors that could affect the value of the portfolio investments. The marketability and value of External Fund portfolio investments will depend upon many factors beyond MSA's control. The External Funds' portfolio investments may have substantial variations in operating results from period to period, face intense competition, and experience failures or substantial declines in value at any stage.

### *Illiquidity of External Fund Investments*

The client accounts have risks associated with the liquidity terms of the External Funds in which MSA invests. The clients will have privately offered interests in the External Funds. Certain External Funds that are open-ended funds generally provide redemption terms on a quarterly, semi-annual and in some cases annual basis, and require a notice period of between 30 and 90 days before the redemption date. For example, if a fund has quarterly liquidity with a 90 day notice period, a client must notify the fund in writing of its intention to withdraw by March 31 for the redemption to be effective June 30. Otherwise, in this example, if the client misses the notice deadline, the client remains invested in the External Fund until September 30. Certain External Funds may also impose "gates" that limit the amount that can be redeemed by the clients and "lock-up" periods prohibiting the withdrawal of capital within a defined period of time after the initial investment. In addition, a portion of the client accounts will be invested in External Funds that are closed-end funds with illiquid strategies and assets that do not provide for the right to redeem from, transfer, or sell, such as private equity funds that themselves invest in non-traded securities and non-marketable with no, or only limited, secondary markets. There is no secondary market for a client's interest in the External Funds and none is expected to develop. As a result, MSA is restricted in its ability to allocate, reallocate, or deploy capital and control risk given the various limitations on the liquidity of the External Funds. External Fund investments are generally long-term in nature and require many years from the date of initial investment before disposition. Clients will be unable to redeem the invested capital from the External Funds for an extended period of time and such timing or the amount of any distributions to clients is uncertain.

## *2. Risks Associated with Investments by the Client Accounts, including the Funds*

### *Early Stage/Emerging Growth Companies*

A component of the client accounts', including the Funds' investment strategies is to invest in early stage/emerging growth companies. Early stage/emerging growth companies often experience unexpected problems in the areas of product development, manufacturing, marketing, financing and general management, which, in some cases, cannot be adequately solved. In addition, such companies may require substantial amounts of financing which may not be available through institutional private placements or the public markets. The markets that such companies target are highly competitive, and in many cases the competition consists of larger companies with access to greater resources. The percentage of such companies that survive and prosper can be small. Furthermore, the public market for such companies is extremely volatile. Such volatility may adversely affect the development of portfolio companies, the ability of the client accounts, including the Funds to dispose of investments, and the value of investment securities on the date of sale or distribution by the client accounts, including the Funds. In particular, the receptiveness of the public market to initial public offerings by the clients accounts', including the Funds'





portfolio companies may vary dramatically from period to period. Any portfolio investment in an early stage/emerging growth company should be considered highly speculative and may result in the loss of the clients accounts', including the Funds' entire investment therein. There can be no assurance that any such losses will be offset by gains (if any) realized on the client accounts', including the Funds' other portfolio investments.

Relative to mature companies, early stage/emerging growth companies often have not yet developed comprehensive legal, regulatory, financial audit/control and similar compliance capabilities. This will make it more difficult for MSA to conduct diligence upon such companies and to monitor such companies that are held by the client accounts', including the Funds' portfolio. This increases the risks that otherwise successful portfolio companies will experience adverse consequences due to unintended violations of legal, regulatory or similar obligations. It also enhances the risks that such companies, client accounts, including the Funds will experience adverse consequences due to intentional wrongdoing by company personnel or third parties.

#### *Lower Middle-Market and Middle-Market Companies*

A component of the client accounts', including the Funds' investment strategies is to invest in lower middle-market and middle-market companies. While investments in lower middle-market and middle-market companies may present greater opportunities for growth, such investments may also entail larger risks than are customarily associated with investments in large companies. Small- and medium-sized companies may have more limited product lines, markets and financial resources, and may be dependent on a smaller management group. As a result, such companies may be more vulnerable to general economic trends and to specific changes in markets and technology. In addition, future growth may be dependent on additional financing, which may not be available on acceptable terms when required. Further, there is ordinarily a more limited marketplace for the sale of interests in smaller and middle-market companies, private companies, which may make realizations of gains more difficult, by requiring sales to other private investors. In addition, the relative illiquidity of private equity investments generally, and the somewhat greater illiquidity of private investments in small and medium-sized companies, could make it difficult for the client accounts, including the Funds to react quickly to negative economic or political developments.

#### *Market and Credit Risks of Debt Securities*

Portfolio companies with debt securities are subject to credit and interest rate risks. "Credit risk" refers to the likelihood that an issuer will default in the payment of principal or interest on an instrument. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument. Securities that are rated by rating agencies are often reviewed and may be subject to downgrade, which generally results in a decline in the market value of such security. "Interest rate risk" refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a



positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

### *Investment in Distressed Securities*

Certain client accounts, including the Funds will invest in the securities and obligations of distressed and bankrupt portfolio companies, including debt obligations that are in covenant or payment default. Such investments generally are considered speculative. The repayment of defaulted obligations is subject to significant uncertainties. Defaulted obligations might be repaid only after lengthy workout or bankruptcy proceedings, during which the issuer of those obligations might not make any interest or other payments. In addition, these securities may not be protected by financial covenants or limitations upon additional indebtedness and may have limited liquidity. Distressed and debt securities are also subject to other creditor risks, including (i) the possible invalidation of an investment transaction as a “fraudulent conveyance” under relevant creditors’ rights laws as described below, (ii) so-called “lender-liability” claims by the issuer of the obligations, (iii) environmental liabilities that may arise with respect to collateral securing the obligations, and (iv) in certain circumstances, challenges to claims based on the face value of securities purchased at distressed levels against par.

### *General Economic Conditions*

The success of the client accounts’ activities, including the Funds’ activities will be affected by general economic and market conditions, such as overall rates of growth and demand for portfolio company products and services, interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the client’s portfolio investments), trade barriers, currency exchange controls, and national and international political, environmental and socioeconomic circumstances (including wars, terrorist acts or security operations). The financial condition of the client accounts, including the Funds may be adversely affected by a significant general economic downturn and it may be subject to legal, regulatory, reputational and other unforeseen risks that could have a material adverse effect on MSA’s business and operations and thereby could impact the client accounts, including the Funds. Moreover, a sustained downturn in the U.S. or global economy (or any particular segment thereof) or weakening of credit markets could adversely affect the client accounts’, including the Funds’ profitability, impede the ability of the client accounts’, including the Funds’ portfolio companies to perform under or refinance their existing obligations, and impair MSA’s ability to effectively exit portfolio investments on favorable terms. Any of the foregoing events could result in substantial or total losses to the client accounts, including the Funds in respect of certain portfolio investments, which losses will likely be exacerbated by the presence of leverage in a particular portfolio company’s capital structure. To the extent that any portfolio companies are dependent on corporate debt markets, any market turmoil, coupled with the threat of an economic slow-down, as well as a perceived increase in counterparty default risk, may have an adverse impact on the availability of credit to businesses generally, which in turn may adversely affect or restrict the ability of such portfolio companies to raise or refinance debt capital or the ability of





MSA to sell or liquidate portfolio investments at favorable times or at favorable prices or which otherwise may have an adverse impact on the business and operations of the client accounts, including the Funds, restrict the client accounts', including the Funds' investment activities and impede the client accounts', including the Funds' ability to effectively achieve their investment objectives.

### *Financial Market Fluctuations*

General fluctuations in the market prices of securities and interest rates may adversely affect the value of the portfolio investments held by the client accounts, including the Funds. Volatility and instability in the securities markets may also increase the risks inherent in the client accounts' portfolio investments, including the Funds' portfolio investments. The ability of portfolio companies to refinance debt securities may depend on their ability to obtain financing, including by selling new securities in the high-yield debt or bank financing markets. Any downturn in global credit markets may make it difficult for MSA to obtain favorable financing terms for its portfolio investments. Any deterioration of the global debt markets (particularly the U.S. debt markets), any possible future failures of certain financial services companies and a significant rise in market perception of counterparty default risk, interest rates or taxes will likely significantly reduce investor demand and liquidity for investment grade, high-yield and senior bank debt, which in turn is likely to lead some investment banks and other lenders to be unwilling or significantly less willing to finance new investments or to only offer committed financing for investments on less favorable terms than had been prevailing in the recent past. MSA's ability to generate attractive investment returns for its clients and Fund investors may be adversely affected to the extent the client accounts, including the Funds, are unable to obtain favorable financing terms for their portfolio investments. Any market turmoil, as well as a perceived increase in counterparty default risk, may have an adverse impact on the availability of credit to businesses generally and may lead to an overall weakening of the U.S. and global economies, which in turn may adversely affect or restrict the ability of MSA to sell or liquidate portfolio investments at favorable times or at favorable prices or otherwise have an adverse impact on the business and operations of the client accounts, including the Funds.

Volatility and disruption in the equity and credit markets could adversely affect the value of the client accounts' investments, including the Funds' investments, and, therefore, the performance of the client accounts, including the Funds. The level of market volatility will also directly affect the market prices of securities issued by many companies for reasons unrelated to their operating performance and may adversely affect the valuation of the client accounts' investments, including the Funds' investments. Any or all of these factors may adversely affect investment returns for the client accounts, including the Funds.

### *Bankruptcy*

The client accounts, including the Funds may hold investments in portfolio companies that are in or subsequently enter into the bankruptcy process. There are a number of significant risks inherent in the bankruptcy process, including, for example, the deleterious effects of litigation between the creditors and debtor, the duration of the bankruptcy proceeding and the tangible and other intangible costs to the debtor issuer, including the potential adverse effects on personnel and



business relationships and operations. There can be no assurance that these factors can be successfully overcome. First, many events in a bankruptcy are the product of contested matters and adversary proceedings and are beyond the control of the creditors. While creditors are generally given an opportunity to object to significant actions, there can be no assurance that a bankruptcy court in the exercise of its broad powers would not approve actions that would be contrary to the interests of the applicable client accounts, including the Funds. Second, the effect of a bankruptcy filing on a portfolio company may adversely and permanently affect such portfolio company. The portfolio company may lose its market position and key employees and otherwise become incapable of restructuring itself as a viable entity. If for this, or any other reason, the bankruptcy proceeding is converted to liquidation, the liquidation value of the portfolio company may not be equal to the liquidation value that was believed to exist at the time of the investment. Third, the duration of a bankruptcy proceeding is difficult to predict. A creditor's return on the investment can be adversely affected by delays while the plan of reorganization is being negotiated, approved by the creditors and confirmed by the bankruptcy court and until it ultimately becomes effective. Fourth, the administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor's estate prior to any return to creditors. For example, if a proceeding involves protracted or difficult litigation, or turns into a liquidation, substantial assets may be devoted to administrative costs. Fifth, bankruptcy law permits the classification together of "substantially similar" claims in determining the classification of claims in a reorganization. Because the standard for classification is vague, there exists the risk that the client accounts', including the Funds' influence with respect to the class of securities they own can be lost by increases in the number and amount of claims in that class or by different classification and treatment. Sixth, in the early stages of the bankruptcy process, it is often difficult to estimate the extent of, or even to identify, any contingent claims that might be made. Seventh, especially in the case of investments made prior to the commencement of bankruptcy proceedings, creditors can lose their ranking and priority if they exercise "domination and control" over a debtor and other creditors can demonstrate that they have been harmed by such actions. This factor may be material as the clients, including the Funds often acquire a control position with respect to their portfolio companies. Eighth, certain claims that have priority by law (for example, claims for taxes) may be quite significant.

#### *Fraudulent Conveyance Considerations*

Various federal and state laws enacted for the protection of creditors may apply to the client accounts', including the Funds' investments by virtue of the client accounts', including the Funds' roles as creditors with respect to the issuers of such investments. If a court in a lawsuit brought by an unpaid creditor or representative of creditors of a borrower (e.g., a portfolio company), such as a trustee in bankruptcy or the borrower as debtor-in-possession, were to find that (a) the borrower did not receive fair consideration or reasonably equivalent value for incurring indebtedness evidenced by an investment and granting any security interest or other lien securing such investment and (b) after giving effect to such indebtedness, the borrower either (i) was insolvent, (ii) was engaged in a business for which the assets remaining in such borrower constituted unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, then such court could invalidate, in whole or in part, such indebtedness and any security interests or other lien securing such investment as



fraudulent conveyances, could subordinate such indebtedness to existing or future creditors of the borrower or could recover amounts previously paid by the borrowers (including to client accounts) in satisfaction of such indebtedness or amounts representing proceeds of such security interest or other liens previously applied in satisfaction of such indebtedness. In addition, upon any insolvency of a portfolio company, payments made on the investment could be subject to avoidance as a “preference” if made within a certain period of time (which may be as long as one year) before insolvency. The measure of insolvency for purposes of the foregoing will vary depending on the law of the jurisdiction that is being applied. Generally, however, a borrower would be considered insolvent at a particular time if the sum of its debts was greater than all of its property at a fair valuation or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities on its existing debts as they became absolute and matured. There can be no assurance as to what standard a court would apply in order to determine whether a borrower was insolvent after giving effect to the particular indebtedness or that, regardless of the method of evaluation, a court would not determine that the borrower was “insolvent” upon giving effect to such indebtedness.

In general, if payments on an investment are voidable, whether as fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient (such as client accounts, including the Funds) or from subsequent transferees of such payments, including the clients or the underlying investors of the Funds. Accordingly, there can be no assurance as to the timing or amount of return of capital, if any, to the clients or investors in the Funds.

#### *Investments in Public Companies*

The client accounts, including the Funds may invest in public companies or take private portfolio companies public. Investments in public companies may subject the client accounts, including the Funds to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the client accounts, including the Funds to dispose of such securities at certain times (including due to the possession by the client accounts, including the Funds of material non-public information), increased likelihood of shareholder litigation against such companies’ board members, which may include personnel of MSA, regulatory action by the SEC and increased costs associated with each of the aforementioned risks.

#### *Risks Related to Technology*

The client accounts, including the Funds may invest in portfolio companies that operate in the technology sector or are dependent on certain technologies for the provision of their products or services. The technology sector is challenged by various factors, including rapidly changing market conditions and participants, new competing products and services and improvements in existing products and services. Some of the client accounts’, including the Funds’ portfolio companies may compete in this volatile environment. There is no assurance that products or services sold by the client accounts’, including the Funds’ portfolio companies will not be rendered obsolete or adversely affected by competing products and services or other challenges. Instability, fluctuation or an overall decline related to changes in the technology sector may cause a decrease



in the value of the client accounts, including the Funds' portfolio investments, which may not be balanced by portfolio investments not so affected.

### *Investments in Operating Turnarounds*

In some cases, the success of the client accounts', including the Funds' investment strategies will depend, in part, on the ability of MSA or the clients, including the Funds to restructure and improve 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. There can be no assurance that MSA and the clients, including the Funds will be able to successfully identify and implement such restructuring programs and improvements.

### *Non-Controlling Investments; Investments with Third Parties*

The client accounts, including the Funds may hold a non-controlling, minority interest in certain portfolio companies and, therefore, may have a limited ability to protect their position in such portfolio companies, although as a condition of investment in a portfolio company, MSA expects that appropriate shareholder rights generally will be sought to protect the client accounts', including the Funds' interests. In such cases, the client accounts, including the Funds will typically be significantly reliant on the existing management, board of directors (or equivalent) and other shareholders of such companies, who may not be affiliated with MSA or the clients, including the Funds and whose interests may conflict with the interests of the client accounts, including the Funds. In addition, the client accounts, including the Funds may invest alongside third parties, including through partnerships, joint ventures or other similar arrangements, and such third parties may have larger ownership interests than the client accounts, including the Funds or may otherwise share control with the client accounts, including the Funds in the relevant portfolio companies. Such portfolio investments may involve additional risks in connection with such third-party involvement, including the possibility that a third party may have financial difficulties resulting in a negative impact on the portfolio investment, may have economic or business interests or goals that are inconsistent with those of the client accounts, including the Funds or may be in a position to take (or block) action in a manner contrary to the client accounts', including the Funds' investment objectives. In each such case, the client accounts, including the Funds may not be in a position—either practically or contractually—to take action to protect the value of the client accounts', including the Funds' portfolio investments in the entity. If any such third party were to default on its obligations with respect to the relevant portfolio company, the value of the client accounts', including the Funds' interests in such portfolio company could be materially adversely affected. Although in many cases MSA expects the client accounts, including the Funds to have control over, or significant influence on, the decision-making of joint ventures and other similar arrangements, certain decisions will require approval of all investors, including third parties. The cooperation among the investors on existing and future business decisions will be an important factor for the sound operation and financial success of these businesses. Disputes among joint owners do arise, and could have an adverse effect on the financial conditions or results of operations of these businesses and in some instances, give rise to indemnification or other expense for the client accounts, including the Funds. In addition, the client accounts, including the Funds may in certain circumstances be liable for the actions of third-party investors. In circumstances



where third-party investors are involved in the management of a portfolio company, such third parties may receive compensation arrangements relating to such company, including incentive compensation arrangements. There can be no assurance that minority rights will be available or that such rights will provide sufficient protection of the client accounts', including the Funds' interests.

### *Counterparty Risk*

The client accounts, including the Funds are exposed to the risk that third parties that may owe the client accounts, including the Funds or their portfolio companies money, securities or other assets or services will not perform their obligations. These parties include transaction counterparties, custodians, brokers, administrators and other financial intermediaries. These parties may default on their obligations to the client accounts, including the Funds or their portfolio companies, due to bankruptcy, lack of liquidity, operational failure or other reasons.

### *Environmental Risks*

Real property owned or used by the client accounts', including the Funds' portfolio companies may be subject to various environmental statutes, rules and regulations, pursuant to which a current or previous owner or operator of real property may be liable for non-compliance with applicable environmental and health and safety requirements and for the costs of investigation, monitoring, removal or remediation of hazardous materials. These laws often impose liability, whether or not the owner or operator knew of or was responsible for the presence of hazardous materials. The presence of these hazardous materials on a property could also result in personal injury or property damage or similar claims by private parties.

In addition, many industries face risks related to climate change, including, but not limited to: (i) regulatory/litigation risk (e.g., changing legal requirements that could result in increased permitting and compliance costs, changes in business operations, the discontinuance of certain operations, and related litigation), (ii) market risk (e.g., declining market for products and services seen as greenhouse gas intensive); and (iii) physical risk (e.g., risks to plants or property owned, operated or insured by a portfolio company posed by rising sea levels, increased frequency or severity of storms, drought, and other physical occurrences attributable to climate change). These risks could result in direct losses to portfolio companies and in unanticipated operational interruptions, delays or expenses to portfolio companies and the client accounts, including the Funds, any of which could have an adverse effect on the client accounts, including the Funds and their underlying investors.

### *Non-U.S. Investments*

The client accounts, including the Funds may invest in portfolio companies whose principal executive offices or corporate headquarters are, at the time of initial investment, outside of the United States. Investing in non-U.S. securities may involve greater risks than investing in U.S. securities. Investments outside the U.S. or denominated in non-U.S. currencies pose currency exchange risks (including blockage, devaluation and non-exchangeability) as well as a range of other potential risks which could include, depending on the country involved, expropriation,





confiscatory taxation, political or social instability, illiquidity, price volatility and market manipulation. To the extent that the client accounts, including the Funds do not or are not able to hedge non-U.S. exchange risks, the client accounts, including the Funds may be exposed to additional risks due to exchange rate fluctuations. Additional risks include: (i) risks of economic dislocations in the host country; (ii) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction; (iii) differences between the U.S. and non-U.S. securities markets, including potential price volatility in and relative illiquidity of some non-U.S. securities markets; (iv) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and differences in government supervision and regulation; (v) certain economic and political risks, including potential trade wars, exchange control regulations, governmental clearance requirements or other restrictions on foreign investments and repatriation of capital and the risks associated with political, economic or social instability, diplomatic developments and the possibility of expropriation or confiscatory taxation; and (vi) the possible imposition of non-U.S. taxes on income and gains recognized with respect to such securities. While MSA will take these factors into consideration in making investment decisions for the client accounts, including the Funds and intends to manage the client accounts, including the Funds in a manner to minimize exposure to the foregoing risks, there can be no assurance that MSA will be able to evaluate the risks accurately or that adverse developments with respect to such risks will not adversely affect the value or realization of investments that are held by the client accounts, including the Funds in certain countries. Capital contributions to the clients, including the Funds will be denominated in U.S. dollars.

Additionally, the client accounts, including the Funds may be less influential than other market participants in jurisdictions where they or MSA does not have a significant presence. The client accounts, including the Funds may be subject to additional risks, which include possible adverse political and economic developments, possible seizure or nationalization of foreign deposits and possible adoption of governmental restrictions, which might limit or preclude foreign investment above certain ownership levels or in certain sectors of the country's economy or adversely affect the payment of principal and interest to investors located outside the country of the issuer, whether from currency blockage or otherwise. Some countries require governmental approval for the repatriation of investment income, capital or the proceeds of sales by foreign investors and foreign currency. The client accounts, including the Funds could be adversely affected by delays in, or a refusal to grant, any required governmental approval for repatriation of capital interests and dividends paid on securities held by the client accounts, including the Funds. Furthermore, some of the securities in which the client accounts, including the Funds may invest may be subject to brokerage taxes levied by governments, which would have the effect of increasing the cost of such portfolio investment and reducing the realized gain or increasing the realized loss on such securities at the time of sale. MSA will be under no obligation to hedge currency or any other risks and does not expect that any such hedging will completely eliminate or mitigate any such risks. There can be no assurance that adverse developments with respect to non-U.S. portfolio investments will not adversely affect the assets of the client accounts, including the Funds that hold such investments.



### *Non-U.S. Currency and Exchange Rate Risks*

A portion of the client accounts', including the Funds' investments and the income received by the client accounts, including the Funds with respect to such investments may be denominated in non-U.S. currencies. However, the client accounts', including the Funds' books will be maintained, and the contributions and distributions from the client accounts, including the Funds generally will be made, in U.S. dollars. Accordingly, changes in currency exchange rates may adversely affect the dollar value of investments, interest and dividends received by the client accounts, including the Funds, gains and losses realized on the sale of investments and the amount of distributions, if any, to be made by the client accounts, including the Funds. In addition, the client accounts, including the Funds may incur costs in converting investment proceeds from one currency to another. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. Although MSA may enter into hedging transactions designed to reduce such currency risks, there can be no assurance that MSA will be able to do so successfully or cost-effectively, and MSA may decide not to hedge against such risks. Investors subscribing for interests in client accounts, including the Funds in any country in which U.S. dollars are not the local currency should note that changes in the value of the exchange between U.S. dollars and such local currency may have an adverse effect on the value, price or income of the investment to such investor. There may be non-U.S. exchange regulations applicable to investments in non-U.S. currencies in certain jurisdictions.

### *Trade Policy*

Trade conflicts between the United States and certain foreign countries have recently intensified. The U.S. government has altered its approach to international trade policy, indicating its intent to renegotiate, or potentially terminate, certain existing bilateral or multilateral trade agreements and treaties with foreign countries and imposing, or threatening to impose, tariffs on certain foreign goods. Some non-U.S. governments, including the Chinese government, have instituted, or threatened to institute, retaliatory tariffs on certain U.S. goods. The continuation or further intensification of such conflicts may lead to the introduction of additional barriers to trade, an increase in the cost of certain goods, a decrease in trade volume, supply chain disruptions, shifts in consumer sentiment and/or a general decrease in corporate profits and securities prices in both public and private markets, any of which could have an adverse impact on the performance of the client accounts', including the Funds' investments and returns to their underlying investors.

### *Changes in Environment*

The client accounts', including the Funds' investment programs are intended to extend over a period of years, during which the business, economic, political, regulatory, and technology environment within which the client accounts, including the Funds operate may undergo substantial changes, some of which may be adverse to the client accounts, including the Funds. MSA will have the exclusive right and authority (within limitations set forth in the applicable investment management agreements the manner in between MSA and its clients and Fund Governing Documents) to determine which the client accounts, including the Funds shall respond



to such changes, and investors of the Funds generally will have no right to withdraw from the Funds or to demand specific modifications to the Funds' operations. Prospective clients and Fund investors are particularly cautioned that the investment sourcing, selection, management and liquidation strategies and procedures exercised by MSA in the past may not be successful, or even practicable, throughout the client accounts', including the Funds' terms. Within the limitations set forth in the investment management agreements between MSA and its clients and the Fund Governing Documents, MSA will have the right and authority to determine the client accounts', including the Funds' investment sourcing, selection, management and liquidation strategies and procedures.

#### *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, war, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of a client, including the Funds, to execute its respective strategies. This may slow the rate of future investments by a client, including the Funds, and result in longer holding periods for investments.

#### *Illiquid and Long-Term Investments; Risks of Realization of Investments*

Although some portfolio investments by the client accounts, including the Funds may generate current income, the return of capital and the realization of gains, if any, from a portfolio investment generally will occur only upon the partial or complete disposition of such portfolio investment. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the investment is made. Investments may consist of the most junior securities of a company, which are subject to the greatest risk of loss. The client accounts, including the Funds will generally not be able to sell securities publicly unless the sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available.

It is likely that there will be no public market for most of the securities held by the client accounts, including the Funds and certain securities held by the client accounts, including the Funds at any particular time. Portfolio companies may become public through initial public offerings without permitting an immediate exit for the client accounts, including the Funds or underlying investors who may have received an in-kind distribution of such portfolio company's securities. No assurance can be given that, if the client accounts, including the Funds desire to dispose of a particular portfolio investment, they will be able to dispose of such portfolio investment at a prevailing market price. There is a risk that disposition of such portfolio investments may require a lengthy time period or may result in distributions in kind to investors, after which investors will bear the risk of holding the securities and must make their own





disposition decisions. To the extent that the client accounts, including the Funds are unable to dispose of certain portfolio investments prior to the expiration of their respective terms, client accounts, including the Funds may take such amount of time to complete the winding up of their affairs as MSA determines is reasonably necessary to liquidate such remaining portfolio investments, satisfy fund creditors and make any distributions of liquidation proceeds.

### *Risks Relating to Due Diligence of and Conduct at Portfolio Companies*

Before making portfolio investments, MSA will typically conduct such due diligence as it deems reasonable and appropriate based on the facts and circumstances applicable to each portfolio investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties will be involved in the due diligence process to varying degrees depending on the facts and circumstances of the particular portfolio investment. Such involvement of third-party advisors or consultants may present a number of risks primarily relating to MSA's reduced control of the functions that are outsourced. In addition, if MSA is unable to timely engage third-party providers, its ability to evaluate and acquire more complex targets could be adversely affected. When conducting due diligence and making an assessment regarding a portfolio investment, MSA will rely on the resources available to it, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that MSA carries out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, no such investigation will guarantee that a portfolio investment will be successful or ensure a return of invested capital.

There can be no assurance that MSA will be able to detect or prevent irregular accounting, employee misconduct or other fraudulent practices during the due diligence phase or during its efforts to monitor the portfolio investment on an ongoing basis. In the event of fraud by any portfolio company or any of its affiliates, the client accounts, including the Funds may suffer a partial or total loss of capital invested in that portfolio company. Conduct occurring at portfolio companies, even activities that occurred prior to the client accounts' including the Funds' investment therein, could have an adverse impact on the client accounts, including the Funds. For example, the European Commission has held that private funds may be liable for the anticompetitive activities of a portfolio company if such funds exercised "decisive influence" over the portfolio company. This precedent illustrates the risk that even if private equity funds are only involved in the high-level strategy and commercial policy of their portfolio companies, it does not exclude them from liability in the context of aggressive courts or regulators. An additional concern is the possibility of material misrepresentation or omission on the part of the portfolio company or the seller. Such inaccuracy or incompleteness may adversely affect the value of the clients accounts', including the Funds' investment in such portfolio company. The client accounts, including the Funds will rely upon the accuracy and completeness of representations made by portfolio companies and their former owners in the due diligence process to the extent reasonable when it makes its portfolio investments, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to the client accounts, including the Funds may be



reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

#### *Expedited Transactions*

Investment analyses and decisions by MSA may be undertaken on an expedited basis in order for the client accounts, including the Funds to take advantage of available investment opportunities. In such cases, the information available to MSA at the time of the investment decision may be limited, and MSA may not have access to the detailed information necessary for a thorough evaluation of the investment opportunity. Further, MSA may conduct its due diligence activities over a very brief period.

#### *Reliance on Portfolio Company Management*

The day-to-day operations of each portfolio company in which the client accounts, including the Funds invest will be the responsibility of such portfolio company's management team. Although MSA will be responsible for monitoring the performance of each client account, including the Fund investment, each may obtain control positions in some portfolio companies and generally intend to invest in portfolio companies operated by strong management, there can be no assurance that the existing management team or any successor will be able to operate any such portfolio company in accordance with MSA's expectations. Additionally, portfolio companies may need to attract, retain and develop executives and members of their management teams. The market for executive talent can be extremely competitive. There can be no assurance that portfolio companies will be able to attract, develop, integrate and retain suitable members of their respective management teams, and the client accounts, including the Funds may be adversely affected as a result.

#### *Risks in Effecting Operating Improvements*

In some cases, the client accounts', including the Funds' investment strategies will depend, in part, on the ability of MSA or the client accounts, including the Funds to restructure and improve 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. There can be no assurance that MSA or the clients, including the Funds will be able to successfully identify and implement such restructuring programs and improvements.

#### *Concentration*

Because the client accounts, including the Funds may have concentrated exposure to specific investments, subject to the limitations set forth in the investment management agreements if applicable, or Fund Governing Documents, the overall adverse impact on the client accounts, including the Funds of adverse performance of a single investment will be considerably greater than if the client accounts, including the Funds were not permitted to concentrate their investments to such an extent. If certain of the client accounts', including the Funds' portfolio investments perform unfavorably, one or more of their other portfolio investments must perform very well in



order for the client accounts, including the Funds to achieve above-average returns. There can be no assurance that this will be the case.

Furthermore, a significant portion of the client accounts', including the Funds' portfolio companies may be concentrated in a few industries, particularly the consumer products and services, health and wellness, media and entertainment and sports and gaming industries. As a consequence, the aggregate return of the client accounts, including the Funds may be adversely affected by the unfavorable performance of a single industry.

Furthermore, if the client accounts, including the Funds invest alongside other private equity funds in which other client accounts, including the Fund investors are also invested, such parties may have exposure to investments through more than one fund or entity.

#### *Follow-On Investments*

The client accounts, including the Funds may be called upon to provide follow-on funding for their portfolio companies or have the opportunity to increase their investment in portfolio companies (whether for opportunistic reasons, to fund the needs of the business, as an equity cure under applicable debt documents or for other reasons). There can be no assurance that the client accounts, including the Funds will wish to make such follow-on investments or that the client accounts, including the Funds, will have sufficient capital to do so. Any decision not to make follow-on investments or the inability to make them may have a substantial negative impact on a portfolio company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made) or may diminish the client accounts', including the Funds' proportionate ownership in such portfolio company and thus its ability to influence such portfolio company's future development.

#### *Reserves*

As is customary in the industry, MSA will establish reserves for follow-on investments by the client accounts, including the Funds in portfolio companies, fund expenses (including management fees), fund liabilities and other matters. Estimating the appropriate amount of such reserves 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 the clients and Fund investors. If reserves are inadequate, the client accounts, including the Funds may be unable to take advantage of attractive follow-on or other investment opportunities or to protect their existing investments from dilutive or other punitive terms associated with so-called "pay-to-play" or similar provisions. If reserves are excessive, the client accounts, including the Funds may decline attractive investment opportunities.

#### *Leverage*

The Funds' portfolio investments are expected to primarily consist of equity of portfolio companies, the capital structure of which may have significant leverage. While investments in leveraged companies offer the opportunity for increased capital appreciation in favorable



circumstances, such investments also involve an increased degree of risk in downside scenarios. Although MSA will seek to use leverage in a manner it believes is appropriate under the circumstances, the leveraged capital structure of a portfolio company will increase the exposure of such portfolio company to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of such portfolio company or its industry, and may also impair such portfolio company's ability to finance its future operations and capital needs. The use of leverage may also subject companies to restrictive financial and operating covenants. As a result, a portfolio company's flexibility to respond to changing business and economic conditions may be limited. If, for any of these reasons, a portfolio company is unable to generate sufficient cash flow to meet principal or interest payments on its indebtedness, or to refinance existing indebtedness at its maturity date, the portfolio company could become insolvent, declare bankruptcy or liquidate, and the Funds may suffer a partial or total loss of capital invested in the portfolio company.

Subject to the limitations set forth in the Fund Governing Documents, MSA may also cause the Funds to incur leverage at the Fund level in connection with their operations and portfolio investments. Although borrowings by the Funds have the potential to enhance overall returns that exceed the Funds' cost of funds, such borrowings will further diminish returns (or increase losses on capital) to the extent overall returns are less than the Funds' cost of capital. The use of leverage will also result in interest expenses and other costs to the Funds that may at any point in time exceed available distributions to the Funds. This leverage will increase the exposure of the Funds to adverse economic factors, such as rising interest rates, economic downturns or deteriorations in the condition of its portfolio companies or the industries in which they operate. Borrowings may be incurred on a joint and several basis with parallel funds and other entities managed by MSA and may be secured by the investors' capital commitments, and the documentation relating to such borrowing may provide for the rights of the investors to receive distributions to be subordinated to the rights of the lenders. In the event of a default under any such indebtedness, the lenders could require the investors to fund their entire unfunded capital commitments even if the Funds are insolvent at such time, and/or force the Funds to sell portfolio investments, or foreclose on portfolio investments, which could cause the Funds to suffer losses. Further, for administrative convenience, capital calls, including those used to pay interest on such indebtedness, may from time to time be "batched" together into larger, less frequent capital calls or closings, with the Funds' interim capital needs being satisfied by the Funds borrowing money from such credit facilities. The batching of capital calls may amplify the magnitude of potential defaults by investors as a result of there being fewer but larger capital calls. To the extent a revolving credit facility is due upon demand by a lender, such a demand may be issued at an inopportune time at which liquidity is generally constrained, potentially resulting in greater investor defaults as a result of liquidity constraints on investors and/or investors facing similar capital calls in multiple funds and being unable to satisfy all such demands simultaneously. Finally, the existence of a revolving credit facility may impair a Fund investor's ability to transfer its interest as a result of restrictions imposed on such transfers by the lender.



### *Availability of Financing*

The client accounts', including the Funds' ability to invest in portfolio companies may depend on the availability and terms of any borrowings that are required or desirable with respect to such investments. For example, from time to time the market for private equity transactions has been adversely affected by a decrease in the availability of senior or subordinated financings for transactions. A decrease in the availability of financing (or an increase in the interest cost) for leveraged transactions, whether due to adverse changes in economic or financial market conditions or a decreased appetite for risk by lenders, would impair the client accounts', including the Funds' ability to consummate these transactions and would adversely affect the client accounts', including the Funds' returns.

### *Assumption of Contingent Liabilities*

In connection with an investment, the client accounts, including the Funds may assume, or acquire a portfolio company subject to, contingent liabilities. These liabilities may be material and may include liabilities associated with pending litigation, regulatory investigations, environmental actions or payment of indebtedness among other things. To the extent these liabilities are realized, they may materially adversely affect the value of a portfolio company. In addition, if the client accounts, including the Funds have assumed or guaranteed these liabilities, the obligation would be payable from the assets of the client accounts, including the Funds, including the uncalled capital commitments of the client, including the Fund investors. If the assets of the client, including the Funds are insufficient to pay such obligations, the investors may be required to return distributions previously made to them in order to satisfy such obligations.

### *Contingent Liability on Disposition of Investments*

Most of the client accounts', including the Funds' investments will involve private securities. In connection with the disposition of an investment in private securities, the client accounts, including the Funds may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of a business. The client accounts, including the Funds also may be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations are inaccurate or with respect to certain potential liabilities or other liabilities. These arrangements will result in contingent liabilities of the client accounts, including the Funds, which may ultimately be borne by the client accounts, including the Funds and may be paid from proceeds of the client accounts', including the Funds' other investments. The obligations of the client accounts, including the Funds would be payable from the assets of the client accounts, including the Funds (including the uncalled capital commitments of the Fund investors). If the assets of the client accounts, including the Funds are insufficient to pay such obligations, the investors may be required to return distributions previously made to them in order to satisfy such obligations, including indemnity obligations, subject to certain limitations set forth in the Fund Governing Documents, governing documents, and applicable law.



### *Provision of Managerial Assistance, Control and Board Participation*

The client accounts, including the Funds often will designate directors (and non-executive chairmen) to serve on the boards of directors of the client accounts', including the Funds' portfolio companies. A board member designated by the client accounts, including the Funds will have fiduciary duties to persons other than the client accounts, including the Funds. The designation of directors and other measures contemplated could expose the assets of the client accounts, including the Funds to claims by a portfolio company, its security holders and its creditors for breaches of fiduciary duties, securities claims and other director-related claims.

The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability for which the limited liability generally characteristic of business ownership may be ignored. These measures also could result in certain liabilities in the event of the bankruptcy, insolvency or reorganization of a portfolio company, including the potential obligation for the client accounts, including the Funds to return to the portfolio company (or to creditors whose interests have been injured) a distribution made during the portfolio company's insolvency. If these liabilities were to arise, the client accounts, including the Funds may suffer a significant loss, exposing the assets of the client accounts, including the Funds to claims by a portfolio company, its other security holders, its creditors or governmental agencies, which may exceed the value of the client accounts', including the Funds' initial investment in that portfolio company. While MSA intends to manage the client accounts, including the Funds in a way that will minimize exposure to these risks, the possibility of successful claims cannot be precluded.

### *Toehold Investments*

The client accounts, including the Funds may accumulate minority positions in the outstanding debt securities or in voting stock, or securities convertible into the voting stock, of potential portfolio companies. While MSA will seek to achieve such accumulation through open market purchases, registered tender offers, negotiated transactions or private placements, MSA may be unable to accumulate a sufficiently large position in a portfolio company to execute its strategy. In such circumstances, the client accounts, including the Funds may dispose of their positions in the portfolio company within a short time of acquiring it; there can be no assurance that the price at which the client accounts, including the Funds can sell such securities will not have declined since the time of acquisition. Moreover, this may be exacerbated by the fact that securities of the companies that the client accounts, including the Funds may target may be thinly traded and that the client accounts', including the Funds' position may nevertheless have been substantial, although not controlling, and their disposal may depress the market price for such securities.

### *Risks of Derivative Transactions*

Subject to the applicable investment management agreements and Fund Governing Documents, the client accounts, including the Funds are permitted to engage in certain derivative transactions, including swaps, short sales, forward contracts or options (together, the "Derivative





Instruments”) or hedging transactions that are intended to reduce the client accounts’, including the Funds’ equity, debt, currency or interest rate exposure. The use of Derivative Instruments, even when used with the intent to reduce the risks associated with the client accounts’, including the Funds’ investments, involves additional expenses as well as risks that are different than those of the client accounts’, including the Funds’ direct or indirect investments. Unanticipated changes in securities prices, interest rates or currency exchange rates may result in a poorer overall performance for the client accounts, including the Funds than if they had not entered into any such derivative transaction. In addition, any hedging transaction in which the client accounts, including the Funds enter may be imperfect, leaving the client accounts, including the Funds exposed to some risk from the position that was intended to be protected. The successful use of hedging strategies depends upon the availability of a liquid market and appropriate hedging instruments and there can be no assurance that the client accounts, including the Funds will be able to close out a position when deemed advisable by MSA.

### *Real Estate Investments*

Certain client accounts, including the Funds will hold real estate investments. Risk for real estate investments include: declines in the value of real estate, adverse changes in the climate for real estate, risks associated with both the domestic and international general economic climates, risks related to general and local economic conditions, over-building and increased competition, increases in property taxes and operating expenses, energy and supply shortage, changes in the tax, real estate, environmental and zoning laws and regulations casualty or condemnation losses, seizure under eminent domain, the financial condition of tenants, buyers and sellers of properties, limitations on rents, changes in neighborhood values, the appeal of properties to tenants, changes in availability of debt financing, leveraging of interests in real estate, increases in prevailing interest rates, lack of availability of financing, costs resulting from clean-up of environmental problems or liability to third parties for damages arising from environmental problems, and natural disasters, acts of war and terrorist attacks, the ability of the clients, including the Funds or third-party borrowers to manage the real properties; and any negative developments in the economy and / or adverse changes in real estate values generally and other factors that are beyond MSA’s control. A client may incur the burdens of ownership of real property, which include the paying of expenses and taxes, maintaining such property and any improvements thereon, and ultimately disposing of such property. In addition, an investment in real estate may subject the investors to taxation and tax return filings with respect to such investment in the jurisdiction in which such real estate is located. There is no assurance that there will be a ready market for resale of investments because investments in real estate generally are not liquid; holding periods accordingly are difficult to predict, particularly as business plans may be revised to adapt to changing economic, business and financial conditions. The lack of liquidity has the potential to limit a Fund’s ability to react promptly to changes in economic or other conditions.

### *Co-Investments with Third Parties*

Certain clients, including the Funds co-invest with third parties through joint ventures or otherwise. Such investments may involve risks in connection with such third-party involvement, including the possibility that a co-venturer may experience financial difficulties resulting in a negative impact on such investment; may have economic or business interests or goals that are



inconsistent with those of a client, including the Fund, or may be in a position to take (or block) action in a manner contrary to a client's, including the Fund's investment objectives. In those circumstances where such third parties involve a management group, such third parties may enter into compensation arrangements relating to such investments, including incentive compensation arrangements. Such compensation arrangements will reduce the returns to participants in the investments and create potential conflicts of interest between such parties and a client, including the Fund.

## ***II. Potential Conflicts of Interest***

### *Management of the Funds and Single-Client Vehicles*

MSA is permitted to organize one or more Funds, Single-Client Vehicles, other alternative investment funds, or enter into written agreements with one or more Non-Discretionary Clients with objectives similar to or different than those of one or more existing clients. MSA has in place, and in its sole discretion, may enter into, deliver, perform, modify, amend and terminate, side letters or other written agreements with one or more Fund investors which have the effect of altering or supplementing the terms described in a Fund Governing Document or of establishing rights not described in a Fund Governing Document with respect to such Fund investors, including, without limitation, with respect to fee arrangements, advisory board seats, withdrawal/redemption rights, access to Fund information and certain so-called "key man" or "key person" rights. Certain client advisory relationships are likely to require MSA's personnel to devote substantial amounts of their time to matters related or unrelated to the business of any one client, even though such activities may be in competition with another client and/or may involve substantial time and resources which will give rise to conflicts in the allocation of management resources. In addition, MSA personnel may work on projects or engage in investment activities for their own accounts or respective businesses (or non-businesses) that do not relate to a particular client.

### *Allocation of Investment Opportunities*

MSA may give advice or take action with respect to the investments of one or more clients that may not be given or taken with respect to other clients with similar investment programs, objectives, and strategies. It is possible that a particular investment opportunity would be suitable for one or more clients. Accordingly, clients with similar strategies may not hold the same investments or financial instruments, or achieve the same performance. This may raise a potential conflict of interest as clients pay MSA different levels and/or types of fees. Larger client accounts typically generate more revenue than do smaller client accounts, and certain client strategies have higher fees than others. As a result, MSA could have an incentive when allocating investment opportunities to favor client accounts that pay a higher fee or generate more income for MSA (or which MSA believes would generate more revenue in the future). MSA addresses this potential conflict of interest by allocating investment opportunities in accordance with its allocation policy and the applicable provisions of the relevant Fund Governing Documents but there can be no assurance that any such conflict will be resolved in favor of any particular client or otherwise to the satisfaction of the Fund investors. MSA also may advise clients with conflicting investment programs, objectives, or strategies. These activities also may adversely affect the availability of investments or financial instruments held by or potentially considered for one or more clients. For



allocation of a follow-on opportunity in an existing investment held by clients, clients that hold such existing investment may not necessarily be allocated the follow-on opportunity. MSA will generally be permitted to cause the allocation among clients of a follow-on investment opportunity to differ from the proportions in which clients invested in the applicable original investment.

### *Third-Party Involvement*

Clients may invest in portfolio companies alongside other institutional investors, including Fund investors and, on occasion, External Funds, and private equity funds sponsored by other third-party managers (i.e., a portfolio company investment is through a co-investment vehicle that is sponsored by an affiliate of the External Fund Managers). Such portfolio company investments may involve risks not present in investments in which such other non-clients are not involved, including the risk that such non-clients may at any time have economic or business interests or goals that are inconsistent with those of clients or be in a position to take action contrary to the investment objectives of clients. A client, including the Fund, will take minority positions in portfolio companies for which MSA, on behalf of a client, has no right to exert significant influence. In such cases, clients will be significantly reliant on the existing management and board of directors of such portfolio companies, which may include representatives of other investors with whom such client is not affiliated and whose interests may conflict with the interests of such client.

### *Calculation and Allocation of Certain Fund Costs and Expenses*

As discussed in Item 5, the Fund Governing Documents provide that the applicable Funds will be responsible for all costs and expenses in connection with its operation, other than the costs and expenses that will be the responsibility of MSA or other third parties. Under the investment management agreements, Single-Client Vehicles and Non-Discretionary Clients agree to reimburse MSA for expenses incurred by MSA in the oversight of clients' portfolios. To the extent possible, third-party expenses incurred in connection with consummated transactions generally will be borne by the respective portfolio companies. A conflict of interest will arise in MSA's determination whether certain costs or expenses that are incurred in connection with the operation of the Funds, Single-Client Vehicles, and Non-Discretionary Clients meet the definition of reimbursable expenses for which clients are responsible, or whether such expenses should be borne by MSA. Clients will be reliant on the determinations of MSA in this regard, and also in regard to the allocation of expenses among clients and MSA. Clients, and at times, the Fund will generally bear all fees, costs, and expenses relating to unconsummated transactions, including amounts that would otherwise have been borne directly or indirectly by potential co-investors. Clients will be reliant on the determinations of MSA with respect to whether proposed and unconsummated investments would have been allocated to clients and therefore are properly allocable in whole or in part to each client. Additionally, to the extent that such expenses are to be allocated to one or more clients, MSA will endeavor to allocate, in its discretion, such expenses in a manner it believes to be fair and equitable, which may include an allocation based on the intended allocation in the case of unconsummated transactions, an allocation among such clients based on pro-rata based on the amount of the investment owned, pro-rata based on assets under management, equally, or based on relative benefit.



### *Co-Investment Opportunities*

MSA may, subject to certain limitations set forth in the Fund Governing Documents, allocate portions of portfolio investment opportunities for co-investment to (i) clients, (ii) Fund investors, (iii) third parties including those that have pre-existing relationships with MSA (i.e., External Fund Managers and strategic relationships with third parties), and (iv) MSA and its employees. MSA may receive management fees, incentive fees, or other compensation outside of the Funds with respect to such co-investment. The co-investment may be held in one or more SPVs. Any such co-investment may raise potential conflicts of interest, including regarding how MSA determines which portfolio investment opportunities to allocate for co-investment and how MSA allocates such co-investment opportunities among the parties involved. MSA addresses this potential conflict of interest by allocating co-investment opportunities in accordance with its allocation policy and the applicable provisions of the relevant Fund Governing Documents but there can be no assurance that any such conflict will be resolved in favor of any particular client or otherwise to the satisfaction of the Fund investors. Considerations MSA may take into account in allocating co-investment opportunities may include a broad range of considerations, including commercial considerations for the applicable portfolio company investment, a client or Fund investor's stated desire to participate in co-investments, MSA's determination of the appropriateness of offering a co-investment opportunity, a client or Fund investor's ability to execute such offer within a specific timeframe, and the approval of transaction counterparties. The interests of the Funds and a co-investor in a portfolio company may not necessarily be aligned, especially if the Funds and such co-investor invest in different parts of the capital structure (i.e., different classes or types of securities of the same portfolio company). Moreover, it is possible that in an insolvency or bankruptcy proceeding, the Funds' interests may be subordinated or otherwise adversely affected by virtue of such co-investor's involvement and actions relating to its investment.

There can be no assurance that any amount of co-investment opportunity will be made available to a client or Fund investor. Being a client or investing in a Fund does not entitle any client or Fund investor to allocations of co-investment opportunities, and such opportunities typically will be offered to some, but not all, clients, Fund investors, or third parties. Further, the Funds may make a portfolio investment with the intention of bridging a portion of such portfolio investment for co-investors. In the event a Fund is unable to sell the full amount that it intended to bridge, such Fund may be less diversified than MSA intended.

### *Portfolio Income Fee and Support Service Costs*

MSA is expected to receive, from time to time, Portfolio Fee Income from portfolio companies and prospective portfolio companies. In addition, MSA and its personnel, operating partners and advisors may provide certain services to clients, including the Funds and/or their respective portfolio companies and, to the extent permitted under the applicable governing documents and the Fund Governing Documents, receive compensation from clients, including the Funds and their respective portfolio companies (the cost of such compensation and related expenses separate from fees described in Item 5, "Support Services Costs"). Clients and Fund investors will not receive the benefit of any Portfolio Fee Income other than as otherwise provided in the applicable governing documents and Fund Governing Documents (e.g., a management fee



reduction). In addition, Support Services Costs will not reduce the management fees. Conflicts of interest may also arise due to the allocation of Portfolio Fee Income and Support Services Costs to or among co-investors.

#### *Portfolio Company Relationships*

Employees of MSA will serve as directors on certain Boards of the portfolio companies and, in that capacity, will be required to make decisions that they consider to be in the best interests of the portfolio company. In certain circumstances (i.e., in situations involving bankruptcy or near insolvency of the portfolio company), actions that may be in the best interests of the portfolio company may not be in the best interests of clients and vice versa. Accordingly, in these situations, there may be a conflict of interests between such individual's duties related to MSA and the duties as a director of the portfolio company.

Furthermore, portfolio companies do business with, support, or may have other relationships with competitors of other portfolio companies, and MSA may take actions on behalf of its clients that are not beneficial to or are opposed to the interests of such other clients and its portfolio companies. In addition, the portfolio companies managed by MSA may transact business with (or otherwise provide services and/or products to) one another.

#### *Relationships between MSA, Clients, and Portfolio Companies*

An important aspect of certain clients' investment thesis is the value that MSA believes that clients and their affiliates can bring to other clients through their relationships with portfolio companies, as well as MSA's broad business relationships with clients and their businesses and professional endeavors. For example, a client may be the source of a portfolio investment opportunity or such client's association with a portfolio company (whether as an investor, through endorsement and licensing arrangements, or otherwise) may generate publicity for such portfolio company, marketing or other business opportunities for such portfolio company, or other benefits to such portfolio company. Such relationships, however, may result in potential conflicts of interest.

In addition, clients may have investments in portfolio companies (e.g., investments already in existence at the time other clients invest in such portfolio companies or investments made by clients when a Fund is already an investor in such portfolio companies) that are in addition to or separate from any indirect interest they may have as Fund investors or through their Single-Client Vehicle. A client and MSA also may engage in business transactions and other arrangements with a portfolio company, including transactions and arrangements pursuant to which such portfolio company pays endorsement fees and other fees or compensation to such client. Fund investors and other clients will not receive the benefit of any such fees or compensation. In certain instances, MSA may not have control or limited influence over, and indeed may not even be aware of, the terms and conditions of an investment by a client in a portfolio company or transactions or other arrangements between such client and such portfolio company. Clients who are the sources of portfolio investment opportunities may be given priority or have the sole opportunity to participate in such investment opportunities or may be offered different securities or more favorable terms by the portfolio companies than those offered to or available to other clients. In addition, a client or



Fund investor may engage in business transactions with, or provide financing for, other clients or Fund investors where MSA has introduced or facilitated the transaction in which MSA does not receive compensation for the transaction.

#### *Financial Interests of MSA in Relationships between Clients and Portfolio Companies*

MSA has broad business relationships with specific clients (other than the Funds) and advises and assists them in a wide range of their business affairs in exchange for management fees, incentive fees, advisory fees, commissions and other fees, compensation and profit sharing separate from fees described in Item 5 (“Client Service Fees”). Such relationships, advice and assistance may involve a client’s investments in and other transactions and arrangements with portfolio companies. As a result, MSA may have a financial interest in a client’s investments and in other transactions and arrangements with portfolio companies. Other clients and Fund investors will not receive the benefit of any such Client Service Fees.

#### *Relationships with External Funds and External Fund Managers*

Certain External Fund Managers and their affiliates, including employees, are clients or investors in the Funds. From time to time, these External Fund Managers may be the source of a portfolio investment for clients to investment directly or through a co-investment vehicle that is sponsored by an affiliate of the External Fund Managers. MSA employees have the option and will have investments in these External Funds (and their co-investment vehicles presented by External Fund Managers or through SPVs) alongside client investments. In addition, employees may have publicly traded securities in the External Fund Managers. All such investments are subject to the Code of Ethics and the vetting for any perceived or actual conflicts of interests.

#### *Service Providers*

Certain service providers and their affiliates (including any accountants, administrators, custodians, lenders, brokers, attorneys, business managers, agents, consultants and investment or commercial banking firms) of clients or MSA, may be clients and investors in the Funds, sources of investment opportunities, and as co-investors or counterparties therewith. This may influence MSA in deciding whether to select such a service provider. In certain circumstances, services providers and their affiliates may charge different rates or have different fee arrangements for services provided to MSA as compared to services provided to clients (including the Funds) and portfolio companies, which may result in more favorable rates or arrangements than those payable by clients (including the Funds) or such portfolio companies.

#### *Existing Financial Interests*

A client may (subject to certain limitations set forth in the Fund Governing Documents for the Funds) invest in portfolio companies where MSA or its clients have pre-existing financial interests (e.g., investments held by, or acquired for, another clients). Another example is where clients, including the Funds, invest in portfolio companies controlled by MSA. These pre-existing financial interests may differ substantially from clients’ interests in such portfolio companies due to differences in investment terms. This may result in MSA or its clients having investment





interests that are not necessarily aligned with the interests of other clients. In such circumstances, or other situations involving conflicting investments, MSA will endeavor to resolve such conflicts in a manner it deems fair and equitable to the extent possible under the prevailing facts and circumstances.

### *Valuation of Assets*

The management fee and the incentive fee / allocation charged to or made by a client are calculated based on valuations ascribed to client's holdings. Because MSA will participate in certain valuation decisions, the management fee and the incentive fee / allocation may create an incentive for MSA to assign biased valuations to client's holdings, and in particular to illiquid holdings and private investments. There can be no assurance that the value assigned to an investment at a certain time will equal the value that clients will ultimately realize. MSA addresses this conflict by adhering to its valuation policies and its fiduciary duties to clients. Additionally, MSA may change its valuation policies and procedures from time to time at its sole discretion without notice to clients and Fund investors. Any such changes may impact the valuation of client's assets, and as a result, among other things, on the management fee and incentive fee / allocation.

### *Funds' Capital Calls and Use of Revolving Credit Facilities*

Subject to the limitations set forth in the Fund Governing Documents, certain Funds may make investments with proceeds from drawdowns under one or more revolving credit facilities (the collateral for which is expected to consist of one or more assets of the applicable Fund (e.g., portfolio company securities or the unfunded capital commitments) prior to calling capital contributions from the investors. The Funds' use of borrowed funds will impact the calculation of net performance metrics (e.g., IRR and multiple of invested capital) (as these calculations generally depend on the amount and timing of capital contributions) and will generally make net IRR and net multiple of invested capital calculations higher than they would be without fund-level borrowing. In addition, these borrowings can impact the performance-based compensation MSA receives, including both timing and amounts, as these calculations of carried interest generally depend on the amount and timing of capital contributions as well as the extent to which distributions by the applicable Fund are directly or indirectly funded by such borrowings. As a result, such borrowings can also increase the performance-based compensation received by MSA by decreasing the amount of distributions from the Funds that are required to be made to investors in satisfaction of the preferred return or accelerating distributions by the Funds to MSA. MSA, therefore, has a conflict of interest in deciding whether to borrow funds as it or its affiliates may receive disproportionate benefits from such borrowings. Accordingly, MSA has an incentive to fund the acquisition and ongoing capital needs of portfolio investments and the Funds with the proceeds of such borrowings in lieu of drawing down capital commitments on a long-term basis, although such incentive is mitigated, in part, by the reduction in carried interest that would result from such actions.

### *Transactions with Multiple Clients and Between Clients*

In certain circumstances, MSA may consider an investment by a client in a portfolio company in which another client and/or MSA holds or may hold an investment, and at times, the



investment is in different parts of the capital structure of the portfolio company with different terms. Or, due to changed circumstances, an investment opportunity with respect to a portfolio company that was initially appropriate for a client or group of clients may subsequently be expanded to other clients or fall within the investment focus of other clients. In addition, MSA may make an investment for a client, at the same time that one or more of the other clients are disposing of the same or similar investment. Clients may not hold the same securities or instruments or achieve the same performance, including circumstances when MSA allocates co-investments. MSA also advises clients with conflicting investment objectives or strategies. These activities could also adversely limit the availability of investments, securities, or financial instruments held by, available to, or potentially considered for one or more clients. MSA may also consider a disposition of a client portfolio company to another client, or a private fund or account advised by a sponsor with which MSA has a strategic relationship. Holding a position in different parts of the capital structure of a portfolio company for different clients may lead to conflicts of interest among such clients in certain circumstances, such as the reorganization or restructuring of the portfolio company. Any such transactions would present conflicts of interest for MSA, including in its determinations of whether the transaction is contemplated at a price that is higher or lower than market indicators or on terms that are more favorable to the buyer or seller than the prevailing market terms.

#### *Diverse Clients and Investors*

Clients and Fund investors include persons, institutions, and entities with a diverse range of legal, regulatory, tax and other characteristics and requirements. As a result, conflicts of interest may arise in connection with decisions made by MSA that may be more beneficial for one type of Fund investor or client than for another type of Fund investor or client. In selecting investments appropriate for clients, including the Funds, MSA will consider the investment objectives of the applicable client, including the Fund, as a whole, and in the case of a Fund, not the investment objectives of any individual Fund investor or group of Fund investors.

There can be no assurance that MSA will resolve all conflicts of interest in a manner that is favorable to its clients.

#### **Item 9: Disciplinary Information**

To MSA's knowledge, neither MSA nor its management personnel has been involved in any legal actions or disciplinary events in the past ten years that would require disclosure in response to this Item.

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

Christopher Fillo is the managing member of MSA Securities, LLC, an affiliated registered broker-dealer. MSA Securities, LLC is an "introducing broker-dealer" that, from time to time, advises businesses with regard to raising capital or introducing capital sources. MSA Securities, LLC does not buy or sell securities for clients or any other parties, hold securities on behalf of clients, or otherwise transact in securities.



As described above in Item 4 above, MSA also serves as the investment manager and general partner or managing member of the Funds and Single-Client Vehicles. MSA is responsible for all decisions regarding the management, investment activities, and portfolio transactions for such entities. MSA Acceleration Advisors, LLC acts as the investment manager for the MSA Acceleration Partners, L.P. and its parallel fund, MSA Acceleration Partners B, L.P. While these affiliated entities are not separately registered as investment advisers with the SEC, all of their investment advisory activities are subject to the Advisers Act and the rules thereunder. In addition, employees and persons acting on behalf of the affiliated entities are subject to the supervision and control of MSA. Thus, MSA and all of its personnel and the persons acting on its behalf would be “persons associated with” the registered investment adviser.

#### **Item 11: Code of Ethics, Participation in Client Transactions and Personal Trading**

Pursuant to Rule 204A-1 of the Advisers Act, MSA has adopted a written Code of Ethics (the “Code”). MSA recognizes and believes that: (i) high ethical standards are essential for its success and to maintain the confidence of its clients; (ii) its long-term business interests are best served by adherence to the principle that the interests of clients come first; and (iii) it has a fiduciary duty to its clients to act solely for their benefit. All MSA personnel must put the interests of clients before their own personal interests and must act honestly and fairly in all respects in their dealings with clients. All MSA personnel must also comply with all applicable federal securities laws. The Code outlines the conduct expected of MSA personnel and includes limitations on personal trading, giving, and accepting gifts. The Code also requires employees to pre-clear all political contributions. MSA will provide a copy of its Code to any client or prospective client upon request. Below is a summary of certain provisions contained in the Code.

With limited exceptions, the Code prohibits MSA personnel from investing in private funds or private companies that are not also generally made available to its clients. MSA’s personnel may, however, invest in the same investments in which clients invest, including investments in External Funds and co-investments alongside the Funds.

MSA employees may acquire for their own personal accounts any listed stock or securities generally available to the public at large through any securities exchange or over-the-counter markets, without advising clients of such trades. Any such acquisition or disposition of publicly traded stocks, bonds, or other individual securities is subject to the Code. MSA also maintains insider trading policies and procedures (the “Insider Trading Policies”) that are designed to prevent the misuse of material non-public information. MSA’s personnel are required to certify compliance with the Code and the Insider Trading Policies on a periodic basis. Additionally, transactions by MSA’s personnel in private placements must be approved by the Chief Compliance Officer or a designee prior to execution. MSA employees may invest in the Funds and alongside the clients in certain investments through SPVs, generally on a fee-free and carry-free basis. All personal brokerage accounts of all MSA’s personnel are reported to MSA under a compliance mandate, and all personnel accounts are subject to review to avoid conflicts of interest.

The clients (including the Funds) may invest in investments in which MSA, or other clients has a financial interest and / or pecuniary relationship. As mentioned above, MSA forms, from time to time, Funds and SPVs in which it serves as the managing member or general partner, and



in such position earns performance fees or profits allocations based on realized gains achieved by the underlying investments. These entities are limited in their governing documents to making specific investments or specified types of investments. From time to time, MSA may recommend that clients (i.e., Non-Discretionary Clients or Single-Client Vehicles) invest in one or more Funds. The sponsorship and management of the Funds gives MSA incentives, including financial incentives in certain circumstances, to recommend these entities and presents a conflict of interest. Certain clients have an equity interest in an External Fund Manager that provides investment advisory services to certain External Funds in which such clients are invested. MSA may allocate an investment in future External Funds advised by such External Fund Manager to certain clients (including those that do not own an interest in the third-party investment manager). Notwithstanding these conflicts of interest, MSA endeavors to only recommend an investment when it believes the investment is in the best interest of the client, considering the client's objectives, risk tolerance, limitations, and capital available for investment. In addition, MSA discloses to clients its interest in such Funds, does not charge clients any placement fees, and provides clients with offering documents that explain the fee structure and risks associated with an investment in such Funds. Further, fees and performance-based allocations received from SPVs will generally reduce or offset management fees or carried interest otherwise payable to MSA by clients invested in such SPVs. For additional information, as well as potential conflicts of interest regarding these arrangements, please see Item 8 above.

New employees receive initial compliance training from the Chief Compliance Officer on the Code and other compliance policies and procedures. In addition, the Chief Compliance Officer conducts various compliance training throughout the year for employees.

#### **Item 12: Brokerage Practices**

The clients typically invest in private securities and do not ordinarily transact with financial intermediaries, such as broker-dealers, in public securities. However, from time to time MSA has brokerage discretion over client accounts and, in such circumstance, is responsible for directing orders to broker-dealers (excluding MSA Securities, LLC) to effect securities transactions upon the receipt of client instructions. In certain situations, a client may direct MSA to use a particular broker. In such a situation, clients should be aware that MSA may or may not receive as favorable terms for each transaction as could have been obtained by seeking best execution among a number of brokers.

In the instances when MSA selects brokers, MSA will comply with its fiduciary duty to seek "best execution" on behalf of its clients and will place trades only with approved brokers. MSA may consider a variety of factors, including (a) price, (b) the nature of the market, (c) quantity, (d) the execution capabilities required by the transaction, (e) commissions, (f) the importance of speed and efficiency, (g) the reputation and perceived soundness of the broker or dealer, (h) block trading and block positioning capabilities, (i) willingness to execute related or unrelated difficult transactions in the future, and (j) brokerage and research products and services provided to MSA (if any). It should be noted that MSA does not receive soft-dollar benefits from third-party brokers, nor does it offset or link any research services for trading or order flow.



MSA has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or “posted” commission rate but will endeavor to be aware of the current level of the charges of eligible brokers and to minimize the expenses incurred for effecting client transactions to the extent consistent with the interests and policies of the client accounts. Although MSA generally seeks competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

MSA maintains policies and procedures that are designed to ensure that all investment opportunities are, to the extent applicable, allocated among clients on a basis that over time is fair and equitable to each client relative to other clients taking into account all relevant facts and circumstances. MSA does not allocate investments based on a client’s fee structure, including whether the client pays a performance-based fee, and does not otherwise allocate investments to benefit itself or its personnel to the detriment of the clients. Notwithstanding the foregoing, but subject to MSA’s fiduciary duty to treat all clients fairly and equitably over time, certain investment allocations may be allocated in a particular circumstance based on the factors described below if it is determined that it would be appropriate to do so and is consistent with MSA’s fiduciary duties to its clients. The factors generally considered by MSA in making an allocation determination include, among others: (i) differences among clients with respect to the investment mandate, available capital, size and remaining life of each client, (ii) the nature of the investment opportunity and risk profile, (iii) potential conflicts of interest, (iv) the applicable investment provisions and restrictions of each client’s governing documents (including the Fund Governing Documents), (v) tax, legal or regulatory considerations, (iv) liquidity management considerations, and (vii) current and anticipated market conditions. Depending on the size and other relevant factors discussed above that are associated with an investment opportunity, investment allocation decisions may also be made with respect to potential co-investment in an investment opportunity. In making this determination, MSA will first ensure that its clients (including the Funds) receive the full amount of their desired allocations prior to offering any co-investment opportunity to any third party. Subject only to any applicable provisions in the investment management agreements with its clients, the Fund Governing Documents or side letters, MSA may but is under no obligation to offer co-investment opportunities to existing clients or Fund investors. To the extent that multiple clients and / or Funds hold an interest in the same portfolio company, MSA will allocate any disposition opportunities with respect to that investment on a basis that is fair and equitable to each client relevant to other clients taking into account all relevant facts and circumstances, including without limitation the relative ownership percentages of the clients in the applicable portfolio company.

### **Item 13:      Review of Accounts**

The investment team professionals monitor the portfolio companies, public equity investments, and External Funds held in client accounts. MSA reviews and monitors all client accounts, including the Funds on an ongoing basis, and continuously evaluates such clients’ investments. One or more MSA senior investment professionals and designated investment staff



are responsible for conducting investment reviews. In addition, except for the Funds, MSA works with the clients and the clients' other financial and business advisors to ensure client accounts and investments are consistent with the clients' overall asset allocation, and consider other investments, and assets outside of MSA's purview and investment objectives.

Clients (other than Funds) receive detailed performance reports on a quarterly basis. On an annual basis, clients receive an annual letter that generally includes information about the investments held in the client accounts. While client accounts will differ, and no two are identical, MSA attempts to enable all clients to have exposure to the recommendations and strategies, subject to the limitations of each client's investable assets, liquidity needs and available funds, investment objectives and risk tolerance. At times, MSA will recommend some amount of rebalancing each quarter with respect to certain client accounts but does not adhere to a rigid or fixed asset allocation model.

Fund investors receive unaudited quarterly account statements and an annual report containing audited financial statements and a statement of their capital account / share holdings as of the fiscal year-end. Fund investors also receive annual K-1 statements for the Funds they are invested in. In addition, Fund investors in MSA Acceleration Partners and MSA Enterprises receive quarterly letters that generally include performance data and market commentary.

MSA encourages all clients and Fund investors and prospective clients and Fund investors to make due diligence requests as they consider appropriate.

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

MSA does not compensate any person for client referrals. MSA may, from time to time, determine to engage a third-party placement agent to introduce potential investors to the Funds. Depending on the specific arrangement, MSA may pay a placement fee, which may be calculated as a percentage of the commitment amount of certain investors. To date, MSA has not engaged a third-party placement agent.

As noted in Item 5 above, Portfolio Income Fees incurred by MSA will be credited to the applicable client, including the Funds.

#### **Item 15: Custody**

Non-Discretionary Clients select their custodians to maintain custody of their funds and securities. MSA is not a party to the custodial agreements between the Non-Discretionary Clients and their custodians, and MSA does not hold such funds or securities or have authority to obtain possession of them. For Single-Client Vehicles, MSA ensures that third-party brokers, banks, and fund administrators submit all account statements to both MSA and its clients or clients' authorized representatives, such as an accountant or attorney, on at least a quarterly basis. MSA recommends that all clients, whether under a discretionary relationship or otherwise, review those third-party statements and reconcile them against MSA's statements, which compile and aggregate all statements from all underlying investments and include various performance data.





Certain client accounts, including the Funds, retain an independent accounting firm, which is registered and subject to inspection by the PCAOB, to prepare annual GAAP compliant audited financial statements, and investors in such client accounts (including Fund investors for the Funds) will not receive statements from the custodian. Instead, for the client accounts that are subject to an annual audit, the audited financial statements are distributed to each investor within 120 days of the end of the fiscal year or 180 days of in the case of clients that are funds-of-funds, pursuant to Rule 206(4)-2 of the Advisers Act (the “Custody Rule”). For those clients over which MSA has custody and are not subject to a GAAP audit, a qualified independent custodian holds all investment assets and MSA obtains an annual surprise independent accountant examination as required under the Custody Rule to ensure compliance with all regulations and proper valuation and asset confirmation.

#### **Item 16: Investment Discretion**

MSA has discretionary authority over certain client accounts (e.g., Funds and Single-Client Vehicles) in which it serves as managing member or general partner. Any limitation on MSA’s authority is set forth in a client’s governing documents (e.g., investment management agreement, partnership agreement, Fund Governing Documents, etc.). MSA does not assume discretionary authority to manage portfolios on behalf of clients until entering into an investment management agreement and / or other governing documents that provide discretionary authority.

#### **Item 17: Voting Client Securities**

Investments made by MSA on behalf of the clients are generally direct investments in privately held companies, private securities, and External Funds. In limited circumstances, MSA has the authority to vote proxies on behalf of the clients with respect to public equity securities. MSA has adopted a policy that is in compliance with Rule 206(4)-6 of the Advisers Act. In practice, MSA will vote each proxy in accordance with its fiduciary duty to its Clients. MSA will generally seek to vote proxies in a way that maximizes the value of Clients’ assets, including in circumstances where MSA identifies a material conflict of interest between its interests and those of its Client. Typically, MSA finds that voting in support of management’s recommendations is in the best interest of Clients. If management does not make a recommendation on a particular proxy item, MSA will consider the financial, economic and other impacts of the issue in determining what would maximize the value of the Clients’ assets. Where a proxy vote raises a material conflict of interest between MSA and one or more clients, MSA will take actions as may be appropriate given the particular facts and circumstances to address the conflicts. A copy of MSA’s proxy voting policy is available upon request.

#### **Item 18: Financial Information**

There is no financial condition that is reasonably likely to impair MSA’s ability to meet its contractual commitments to clients, and MSA has not been subject to a bankruptcy petition.