

# TruArc Partners, LP

## Part 2A of Form ADV

### The Brochure

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**This brochure provides information about the qualifications and business practices of TruArc Partners, LP (“TruArc”). If you have any questions about the contents of this brochure, please contact us at (212) 508-3300. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

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

**We refer to ourselves as a “registered investment adviser.” Registration as an investment adviser does not imply a certain level of skill or training.**

## **Item 2      Material Changes**

TruArc Partners, LP (“TruArc,” the “Firm,” the “Management Company,” “us,” “we” and “our”) has made routine updates and provided clarifying information in this brochure since its last update, which was filed on March 31, 2023. There has also been updates to cover our recently launched structured opportunities strategy. TruArc routinely makes updates throughout the brochure to improve and clarify the description of its business practices, risks and compliance policies and procedures as well as to respond to evolving industry best practices. We encourage all recipients of this brochure to read it carefully in its entirety.

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## Item 4      **Advisory Business**

TruArc is a limited partnership formed under the laws of the state of Delaware. TruArc commenced operations in August 2020. TruArc is primarily owned and controlled by Alan Mantel, Ogden Phipps II and John Pless (the “Principals”). Mr. Ian Snow also has a minority economic interest in the Firm. In addition, one or more affiliates of Reinet Investments S.C.A. (collectively, “Reinet”) have a minority interest in the Management Company. Reinet does not have any power to direct the investments or control the Management Company, but possesses certain minority protection rights, including information access and periodic reporting rights, economic protections such as anti-dilution rights and consent rights in respect of certain material actions by TruArc. Further information regarding Mr. Snow’s and Reinet’s position in the Management Company are described in Item 10 below.

TruArc has been established as a successor business to Snow Phipps Group, LLC (“Snow Phipps”). Snow Phipps is a registered investment adviser that provides discretionary investment advice to three private equity funds, Snow Phipps Group, L.P. (“Fund I”), Snow Phipps II, L.P. (“Fund II”) and Snow Phipps III, L.P. (“Fund III” and, collectively with Fund I and Fund II, the “Prior Funds”) and their respective related alternative investment vehicles and special purpose vehicles. SPG GP, LLC is the general partner of Fund I, Snow Phipps GP II, LLC is the general partner of Fund II and Snow Phipps GP III, LLC is the general partner of Fund III (collectively, the “Snow Phipps General Partners”). TruArc serves as a sub-adviser to the Prior Funds.

TruArc currently provides investment advisory services to a group of private pooled investment vehicles or funds, referred to in this brochure collectively as “Funds” (and each, a “Fund”), which include:

- TruArc Fund IV, LP and TruArc Fund IV (Parallel), LP (together with any additional parallel investment vehicles and their respective feeder vehicles and alternative investment vehicles, “Fund IV” and Fund IV, together with the Prior Funds and other private equity funds sponsored by the Management Company, the “TruArc PE Funds”), a successor fund to the Prior Funds with \$840.1 million in aggregate capital commitments (including related vehicles) which continues to execute the same investment strategy employed in Fund III. TruArc Fund IV GP, LLC is the general partner (“Fund IV General Partner”) of Fund IV.
- TruArc Structured Opportunities Fund, LP (together with any additional parallel investment vehicles and their respective feeder vehicles and alternative investment vehicles, “SOF”). TruArc SOF GP, LLC is the general partner (“SOF General Partner” and, together with the Fund IV General Partner, the “General Partners” and each, a “General Partner”) of SOF.

TruArc also provides and could in the future provide investment advisory services to other investment funds, accounts, or other advisory clients. “Other Client Vehicle” as used herein means an investment fund, account or other advisory client sponsored, formed or managed by the General Partners, the Management Company or any of their respective affiliates, including any co-investment vehicle, aggregator or similar vehicle, provided that with respect to any investment fund, account or advisory client, the term “Other Client Vehicle” will not be deemed to include such fund (and its related vehicles), such account or such advisory client, respectively. Without limiting the foregoing, the Fund IV General Partner has also formed TruArc Fund IV Co-Invest, LP (“TruArc

Fund IV Co-Invest”), a co-investment vehicle that co-invests in all or substantially all of Fund IV’s portfolio investments alongside Fund IV. Reinet is the only investor in TruArc Fund IV Co-Invest. Further information regarding the allocations to TruArc Fund IV Co-Invest are described in Item 12 below. The Fund IV General Partner has also formed certain aggregator vehicles in order to facilitate investments by co-investors alongside Fund IV in certain portfolio investments. For purposes of this brochure, each of the Prior Funds will also constitute an Other Client Vehicle with respect to each Fund.

The eligibility and suitability requirements for each Fund are described in the applicable Private Placement Memoranda (“Memoranda”), limited partnership agreement(s) (“Partnership Agreements”) and subscription agreements (“Subscription Agreements”) (collectively referred to as the “Fund Offering Documents”). For purposes of this brochure, references to “the Funds,” “a Fund” or “each Fund” will also apply to future funds, references to “the General Partner,” “a General Partner” or “each General Partner” will also apply to future general partner entities that are affiliates of TruArc, and references to “the Management Company” or “a Management Company” will also apply to future investment manager entities that are affiliates of TruArc.

With respect to Fund IV, TruArc will continue to pursue the same middle-market strategy that was executed in Fund I, Fund II and Fund III by the Firm’s senior Investment Team consisting of Messrs. Alan Mantel, Ogden Phipps II, John Pless, Townsend Bancroft, Brandon Kiss and Gerald Sheehan (the “Senior Investment Team”). For Fund IV, the Management Company will target investments in companies primarily headquartered in North America, generally with enterprise values ranging from \$100 million to \$500 million that are expected to require equity investments between \$50 million and \$150 million in the initial investment or through a series of transactions. The investments in Fund IV are expected to primarily be in the form of controlling positions in companies achieved through leveraged acquisitions, build-ups, recapitalizations, growth equity buyouts and restructuring transactions.

With respect to SOF, TruArc will seek to opportunistically invest across a wide range of securities issued by middle-market companies primarily headquartered in North America, including but not limited to secured or unsecured debt securities, senior or preferred equity securities or other similar instruments (collectively, “Structured Securities”), and common equity or similar securities in connection therewith. SOF will seek to pursue investments in companies in the Specialty Manufacturing and Business Services sectors, which are also key sectors of focus for the TruArc PE Funds. The SOF investment team (“SOF Investment Team”) generally intends to seek portfolio investments for SOF ranging in size from \$20 million to \$40 million, including subsequent follow-on investments.

### *Assets Under Management*

As of December 31, 2023, TruArc had \$1,401,000,000 in regulatory assets under management (which includes the committed capital that may be called from investors and the General Partners) for Fund IV, TruArc Fund IV Co-Invest and Other Client Vehicles (other than the Prior Funds). Meyer Aggregator LP (a co-investment vehicle to Fund IV) and SOF held closings in 2024. As of March 29, 2024, TruArc had \$1,538,200,000 in regulatory assets under management (which includes the committed capital that may be called from investors and the General Partners) for SOF, Fund IV, TruArc Fund IV Co-Invest and Other Client Vehicles (other than the Prior Funds). Furthermore, TruArc is a sub-adviser to the Prior Funds which had \$1,603,800,000 in regulatory assets under management as of December 31, 2023. As such, TruArc is providing investment advice to a total of \$3,142,000,000 in regulatory assets under management as of March 29, 2024. All assets are and will be managed on a discretionary basis.

## **Item 5 Fees and Compensation**

TruArc, the General Partners and/or their respective affiliates will receive compensation in the form of management fees, carried interest distributions and certain other fees (including but not limited to upfront fees, original issue discount, arranging fees, commitment fees, administrative fees, agent fees, commitment fees, advisory fees, consulting fees, closing fees, transaction fees or other fees) associated with investments or proposed investments or commitments made by the Funds, fees in connection with transactions that are not completed (i.e., breakup fees), directors' fees (including, but not limited to, cash, equity/stock, options and warrants) and/or monitoring fees from portfolio companies. In addition, the Funds will be charged for certain expense reimbursements. Detailed descriptions of fees, compensation and expenses borne by investors in a Fund are further described in the relevant Fund Offering Documents.

### *Management Fees*

Generally speaking, a management fee will be payable quarterly in advance by each Fund to the Management Company in an amount equal to the aggregate of the following amounts with respect to each investor: (a) until the earlier of (x) the expiration or termination of such Fund's commitment period and (y) the date on which the Management Company or any of its affiliates actually receives a management fee in respect of such Fund with overall investment objectives substantially similar to those of such Fund (the earlier of (x) and (y), the "Step-Down Date"), the applicable Management Fee Percentage (defined below) per annum of the commitment of such investor and (b) thereafter, the applicable Management Fee Percentage per annum of the portion of the commitment of such investor funded thereby, whether or not returned to such investor, in respect of portfolio investments (including amounts funded in respect of Expenses (defined below) which are directly attributable to portfolio investments as determined by the relevant General Partner in its reasonable discretion) and any bridge financings which have not been refinanced, disposed of or otherwise repaid (with such funded amounts being deemed to include borrowings under any credit facility made by such Fund in lieu of capital contributions, until contributions are actually contributed to such Fund by such investor to repay such borrowings).

"Expenses" with respect to each Fund means any and all fees, costs, and expenses incurred by the relevant General Partner, the Management Company, such Fund's tax representative, members of

the limited partner advisory committee of such Fund and their respective affiliates and their respective employees, agents, advisors, managers, officers, directors, members, partners or shareholders in the conduct of the activities of such Fund, including, without limitation, Organizational Expenses (defined below) and Operating Expenses (defined below) with respect to such Fund.

The management fee commenced to accrue on the effective date of each Fund and will cease to accrue on the date on which each Fund completes its liquidation. Other than with respect to the management fee that may be payable on the initial closing or on any subsequent closing of each Fund, the management fee will be payable not earlier than each January 1, April 1, July 1 and October 1 (or, in each case, the immediately following business day) for the respective quarterly periods beginning January 1, April 1, July 1 and October 1 of each year. The management fee for any period in which the Management Company serves as investment manager for less than a full quarterly period will be prorated on the basis of the number of days in such period compared to the actual number of days the assets were managed by the Management Company during such period. The management fee will be determined in respect of all commitments made by investors who bear management fees as of the initial closing, including commitments made after the initial closing. The management fee will be subject to reduction as set forth in “Transaction Fees, Breakup Fees, and Monitoring Fees” described below.

“Management Fee Percentage” with respect to Fund IV means:

(i) prior to the Step-Down Date,

(A) with respect to each investor with (x) a commitment of \$150 million or greater or (y) (1) a commitment equal to or greater than \$100 million, but less than \$150 million, and (2) who is admitted to Fund IV as of the initial closing, 1.75%; and

(B) with respect to each other investor, 2.0%;

(ii) and thereafter,

(A) with respect to each investor with a commitment equal to or greater than \$200 million, 1.20%;

(B) with respect to each investor with (x) a commitment equal to or greater than \$150 million, but less than \$200 million, or (y) (1) a commitment equal to or greater than \$100 million, but less than \$150 million, and (2) who is admitted to Fund IV as of the initial closing, 1.35%; and

(C) with respect to each other investor, 1.5%.

“Management Fee Percentage” with respect to SOF means: (i) prior to the Step-Down Date, with respect to each investor, 2.0%; and (ii) thereafter, with respect to each investor, 1.5%.

TruArc is permitted, at any time and in its sole and absolute discretion, to waive, reduce or calculate differently all or any portion of the management fee with respect to any investor (including by way

of Side Letter (defined below)). Without limitation to the foregoing, certain investors are subject to a different (and reduced) Management Fee Percentage from that set forth above.

### *Carried Interest Distributions*

The General Partners are entitled to receive carried interest distributions with respect to each Fund. Investment proceeds in respect of a portfolio investment will be apportioned among all investors participating in such portfolio investment. The amount apportioned to each General Partner will be distributed to such General Partner and the amount apportioned to each investor will, generally speaking, be distributed as follows:

(a) first, 100% to such investor until such investor has received, on a cumulative basis, taking into account all prior distributions made pursuant to this clause (a) with respect to the portfolio investment giving rise to the distribution and all portfolio investments that have previously been disposed of or permanently written down to zero (such disposed-of or written-down investments, “Realized Investments”) (without duplication) at the time of such distribution, an aggregate amount equal to:

(i) its capital contributions attributable to the portfolio investment giving rise to the distribution and all Realized Investments (without duplication) at the time of such distribution;

(ii) its capital contributions in respect of Expenses (including the management fee) that are not directly attributable to any portfolio investment and that are allocable to all Realized Investments; and

(iii) the aggregate amount of such investor’s proportionate share (based on its capital contributions) of the amounts by which portfolio investments that are not Realized Investments have been written down on the relevant Fund’s books and records to less than cost (without duplication) at the time of such distribution (expressed as a positive amount);

(b) second, 100% to such investor until such investor has received, on a cumulative basis, taking into account all prior distributions, an aggregate amount equal to an 8% cumulative internal rate of return on capital contributions with respect to all Realized Investments (including capital contributions described in sub-clause (a)(ii) above), compounded annually from the date of the drawdown to the date of the relevant distribution (the “Preferred Return”);

(c) third, 100% to such General Partner until such General Partner has received cumulative distributions pursuant to this clause (c) with respect to such investor equal to 20% of the sum of (i) cumulative distributions made to such investor pursuant to clause (b) above and (ii) cumulative distributions made to such General Partner (with respect to such investor) pursuant to this clause (c); and

(d) thereafter, 80% to such investor and 20% to such General Partner (distributions to such General Partner pursuant to clause (c) above and this clause (d) are referred to collectively as “carried interest distributions”).



Notwithstanding the foregoing, each General Partner is permitted to elect, in its sole discretion, to not receive all or any portion of the carried interest distributions distributable to it pursuant to clauses (c) and (d) above, and instead distribute such proceeds to the investors (allocated among the investors in proportion to the amounts otherwise distributable to such General Partner with respect to each investor). Concurrently with any such election, if any, such General Partner must also make an election as to whether subsequent carried interest distributions will be made out of (a) any amounts that would otherwise be distributed in cash to an investor or (b) any proceeds that are attributable to an investor's share of the relevant Fund's future income or gain (and only if in compliance with any additional requirements determined by such General Partner at the time of such election) (the election of (a) or (b), the "Catch-Up Election").

A distribution relating to a partial disposition of a portfolio investment will generally be subject to the above formula, with the preferred return and the carried interest distributions based *pro rata* on the original cost of, and the cumulative distributions made with respect to, the disposed portion of such portfolio investment. To the extent that any portfolio investment is subject to a recapitalization or a refinancing, each General Partner is permitted to treat such recapitalization or refinancing as a partial disposition.

TruArc is permitted, at any time and in its sole and absolute discretion, to waive, reduce or calculate differently all or any portion of the carried interest distributions with respect to any investor (including by way of Side Letter). Without limitation to the foregoing, certain investors are subject to a different carried interest arrangement from that set forth above.

#### *Clawback*

The applicable Fund Offering Documents require each General Partner, and those investment professionals who receive carried interest distributions, to return carried interest distributions if and to the extent that, in the aggregate, they have received such distributions in excess of 20% of the total profits of an investor in the applicable Fund (or, if greater, any such excess carried interest distributions to the extent the 8% cumulative effective internal rate of return described above has not been achieved with respect to such investor).

#### *Transaction Fees, Breakup Fees and Monitoring Fees*

As further described in the Fund Offering Documents, the Management Company, each General Partner, any Principal and each of their respective affiliates or existing employees are permitted to receive transaction, advisory or other similar fees from a portfolio company in respect of services provided to such portfolio company, or any purchaser or seller of any portfolio investment, in each case, as a result of a proposed transaction or investment by the relevant Fund net of amounts necessary to pay unreimbursed expenses (such fees, excluding any Other Fees (defined below), "Transaction Fees"). Transaction Fees for SOF also include upfront fees, commitment fees, consulting fees and closing fees.

The Management Company, each General Partner, a Principal and each of their respective affiliates and existing employees are also permitted to receive breakup or similar fees from a proposed portfolio company as a result of a proposed transaction or investment by the relevant Fund that is not consummated, net of any unreimbursed Expenses relating to the proposed portfolio investment

to which such breakup or similar fees relate (such fees, excluding any Other Fees (defined below), “Breakup Fees”).

In addition, the Management Company, each General Partner, any Principal and each of their respective affiliates and existing employees are permitted to receive from a portfolio company fees for (a) monitoring and similar services to such portfolio company and (b) service as a member of the board of directors (or equivalent governing body) of such portfolio company (such fees, excluding any Other Fees (defined below), “Monitoring Fees”).

With respect to each investor who bears management fees and each payment date, 100% of each such investor’s *pro rata* share (based on commitments) of any Allocable Fees (defined below) received during the immediately preceding quarterly period will be applied to reduce such investor’s share of the management fee payable on such date. For purposes of effecting the foregoing offset, the amount of any compensation that is paid in the form of an option, warrant or other form of noncash compensation will be deemed to have been received on the date such option or warrant is exercised, or such noncash compensation is disposed of, and the amount of such compensation will be the excess of the value of the property received upon such exercise or disposition over the amount paid to exercise such option or other right (plus any amount paid to acquire such option or warrant) or to dispose of such noncash compensation. The Funds will not have any right to receive payment in respect of all or any portion of the management fee, Transaction Fees, Breakup Fees or Monitoring Fees. Any cash or noncash consideration received directly or indirectly by an Operating Team Member (defined below) from a portfolio company will not be subject to the foregoing offset.

With respect to any quarterly period, “Allocable Fees” means a Fund’s Allocable Share (defined below) of any Transaction Fees, Breakup Fees or Monitoring Fees, as the case may be, received during the immediately preceding quarterly period. “Allocable Share” means, with respect to any Allocable Fees over any quarterly period immediately preceding any payment date, a Fund’s actual or proposed notional share of such Allocable Fees, as determined in good faith by such Fund’s General Partner (which notional share could be based on such Fund’s fully diluted percentage ownership (or proposed fully diluted percentage ownership in the case of a potential portfolio investment) of the relevant portfolio company as of such payment date, relative to all other owners of the portfolio company, including, but not limited to, any parallel investment vehicle, any additional fund, any co-investment vehicle, any Other Client Vehicle and any co-investor). Fully diluted percentage ownership utilizes the fully diluted method to determine dilution, although a General Partner could also elect to use another method, such as the treasury stock method. Regardless of which method is employed, the General Partners will take into account vested, “in the money” management stock (or similar) options.

The investors are required to acknowledge and agree that any Transaction Fees, Breakup Fees or Monitoring Fees that are not included in Allocable Fees, as well as all Other Fees, will not result in any reduction to the management fee or any other economic benefit to a Fund or any investor. A General Partner will therefore be incentivized to conduct co-investment “sell downs” or otherwise reduce the relevant Fund’s Allocable Share with respect to any given Transaction Fee, Breakup Fee and Monitoring Fee. Furthermore, if the Allocable Share that was applied with respect to any payment date (for purposes of calculating Allocable Fees or any investor’s *pro rata* share thereof as of such date) is greater than the Allocable Share prevailing as of the immediately following payment date, then a General Partner is permitted to equitably increase the management fees borne

by any investor with respect to such immediately following payment date to account for the reduction that would have applied as of such immediately preceding payment date had such reduction been calculated based on such subsequent Allocable Share. Further, if any portion of an Allocable Fee corresponding to any reduction to the management fee as of any payment date is returned by the Management Company, any of its affiliates, or any Principal or employee of the Management Company, as the case may be, after such payment date, then a General Partner may equitably increase the management fee borne by each investor to account for the reduction calculated above that would have applied as of such prior payment date had such reduction been calculated based on the actual amount of the Allocable Fees ultimately retained by the Management Company, such affiliate, such Principal or such employee, as the case may be.

For the avoidance of doubt, in connection with any portfolio investment in which one or more Other Client Vehicles also holds an interest, whether in the same security (or other financial instrument) held by a Fund or in different parts of the applicable portfolio company's capital structure, no transaction fees, upfront fees, original issue discount, commitment fees, administrative fees, agent fees, advisory fees, closing fees, breakup fees, monitoring fees, directors' fees, consulting fees or other fees, as applicable, received by the Management Company or any of its affiliates, or any Principal or employee of the Management Company in connection with the portfolio investments or prospective portfolio investments of such Other Client Vehicle(s) (including any "Transaction Fees," "Breakup Fees" or "Monitoring Fees" as may be defined in the offering document of such Other Client Vehicle (or any substantially similar concept)) will constitute Transaction Fees, Breakup Fees or Monitoring Fees for purposes of the relevant Partnership Agreements. This will be the case regardless of whether a Fund holds the same security (or other financial instrument) as such Other Client Vehicle or is in a different part of the capital structure of the applicable portfolio company in connection with such portfolio investment in which one or more Other Client Vehicles holds an interest. Accordingly, no such transaction fees, upfront fees, original issue discount, commitment fees, administrative fees, agent fees, advisory fees, closing fees, breakup fees, monitoring fees, directors' fees, consulting fees or other fees, as applicable, will be apportioned to any Fund or to any investors and such amounts will not be applied to reduce the management fees payable by any Fund or give rise to any other economic benefit for any Fund or any investor. As a result, the Management Company or any of its affiliates, or any Principal or employee of the Management Company (as applicable) will retain the portion of such fee income that otherwise would have been allocable to a Fund without reduction had the investment been a portfolio investment in which one or more Other Client Vehicles did not hold an interest.

In certain circumstances, such as those relating to short- or long-term portfolio company cash or liquidity needs, and regardless of whether the portfolio company is undergoing financial distress, the General Partners, the Management Company, the Principals, any other TruArc personnel and any other affiliate thereof reserve the right to accrue, defer or forego payments of Transaction Fees, Breakup Fees and Monitoring Fees. In such cases, in accordance with the applicable Partnership Agreements and the investment management agreements, investors will not receive the benefit of a reduction to the management fees with respect to such amounts until and unless they are actually received.

#### *Other Fees*

For purposes of the foregoing, “Other Fees” means (a) any amounts paid as reimbursement for fees, costs or expenses incurred in connection with an actual or potential portfolio investment or portfolio company, including those arising under indemnification, contribution or other similar provisions or agreements in connection with any actual or potential portfolio investment or portfolio company; (b) any Service Provider Compensation (defined below); (c) any Operating Team Member compensation; (d) any co-investment economics (as further described in the applicable Fund Offering Documents); (e) solely with respect to SOF, any fees, costs or expenses for services paid to, or any other economic benefit received by, the Management Company, the SOF General Partner, any Principal or any of their respective affiliates or employees (excluding former employees) relating to services provided in connection with any investment in Structured Securities, including “original issue discount” (to the extent paid as a cash fee to any of the foregoing), arranging fees, administrative agent, loan agent or other similar agent fees (as determined in the SOF General Partner’s reasonable discretion); (f) any fees received, directly or indirectly, by a person or entity other than the relevant Fund, any parallel or alternative investment vehicle thereof, or any other related parties, including fees received, directly or indirectly, by a co-investor or other investor participating in the equity or Structured Securities, as applicable, or other securities, assets or other property of any portfolio company, irrespective of whether (i) such person or entity participates directly or indirectly through the relevant Fund or any other parallel vehicle thereof or Other Client Vehicle, (ii) such person is also an investor, Operating Team Member (defined below), Service Provider (defined below) or other third party or an affiliate of any of the foregoing, (iii) such person or entity is providing (or is not providing) services in consideration of its receipt of such fees to, for or otherwise with respect to such portfolio company and (iv) the payment of such fees to (or the receipt of such fees by) such person or entity was arranged, organized, sponsored, negotiated by or for, permitted, consented to, approved or otherwise facilitated by related parties; and (g) any other fees for the benefit of the relevant General Partner, the Management Company or any of their respective affiliates paid by the relevant Fund or any portfolio company in respect of services performed by the relevant General Partner, the Management Company or such affiliate, as applicable, other than the services described in the relevant Fund Offering Documents and such Fund’s investment management agreement. Accordingly, none of the foregoing will reduce the management fee and will not inure to the benefit of any Fund or any investor. For the avoidance of doubt, a General Partner also will not offset compensation received from outside sources, such as residual board seats at entities that are no longer portfolio companies (however, compensation received from board seats of current portfolio companies would not be treated as “outside sources” for purposes of the foregoing).

Transaction Fees, Breakup Fees and Monitoring Fees charged to portfolio companies will be determined, in part, by the Management Company, each General Partner and other affiliates thereof and are likely to create an incentive to complete transactions as well as delay the sale of a portfolio company to allow such persons or entities to continue to receive such fees. In addition, such fees will not always be triggered or based upon an exit or sale of a portfolio investment. Accordingly, from time to time, the Management Company, each General Partner and other affiliates thereof are expected to receive such fees when the relevant Fund does not ultimately profit from a portfolio investment. In some instances, a Fund is also expected to pay more to purchase a portfolio investment or could receive less in selling a portfolio investment, in each case relative to other co-investors (e.g., co-investor sponsors), due to payment of such fees to the Management Company, its General Partner and/or other affiliates thereof that other co-investors did not receive. Transaction Fees, Breakup Fees and Monitoring Fees are often calculated based on metrics relating to a portfolio

company, and there can be no assurance that the amount of such fees charged will be proportional to the amount of hours of work performed by the relevant General Partner, the Management Company, the Principals, any other TruArc personnel or any other affiliate thereof on behalf of the portfolio company.

### *Organizational Expenses*

Subject to the relevant Fund Offering Documents, each Fund will generally bear all fees, costs and expenses incurred in connection with (i) the offering, sale, marketing and private placement of the interests and interests in any existing or future parallel or feeder vehicles, including: (a) Placement Fees (defined below) and indemnification payments paid to any placement agent and (b) fees, costs and expenses incurred in connection with the preparation (and, if applicable, the negotiation) of engagement letters with Service Providers (defined below), marketing presentations, investor presentations, due diligence questionnaires and the equivalents of any of the foregoing with respect to such Fund, any parallel investment vehicle or any feeder vehicle; (ii) the structuring and organization of such Fund, any parallel investment vehicle, any feeder vehicle, its General Partner, the Management Company, any of their respective affiliates or related entities that invest (directly or indirectly) in such Fund and/or in its General Partner or the Management Company, including the Service Provider Compensation of related Service Providers; (iii) the preparation and digitization of electronic subscription agreements and any associated platform or software and related services; (iv) capital raising, start-up and other organizational activities (including printing, mailing, courier, registration, filing and other similar activities) of such Fund or any parallel investment vehicle, feeder vehicle, its General Partner, the Management Company, any related party investors or any of their respective affiliates or related entities that invest (directly or indirectly) in such Fund and/or in its General Partner or the Management Company (including the fees, costs and expenses of any credit facilities entered into by its General Partner, any of its affiliates or related entities or by or on behalf of one or more TruArc personnel, to facilitate the satisfaction of its obligations to make capital contributions to such Fund), including the Service Provider Compensation of related Service Providers; (v) the registration, qualification or exemption of such Fund or any parallel investment vehicle, any feeder vehicle (or the interests of or in any of the foregoing) under any applicable U.S. federal, state, local or non-U.S. laws, rules or regulations (including E.U. Alternative Investment Fund Managers Directive (Directive 2011/61/EU) and/or laws, rules or regulations implemented or promulgated in any applicable jurisdiction in relation thereto or similar marketing-related regulations in other jurisdictions); (vi) the negotiation, execution and delivery of such Fund's Partnership Agreement, such Fund's investment management agreement, such Fund's Memorandum, any Subscription Agreements of such Fund and the equivalents of any of the foregoing with respect to any parallel investment vehicle, any feeder vehicle, its General Partner, the Management Company, any General Partner affiliated investor or any of their respective affiliates or related entities that invest (directly or indirectly) in such Fund and/or its General Partner or the Management Company (including any agreements entered into in connection with investments by one or more persons or entities in its General Partner or the Management Company), and any related or similar documents (including with respect to income or profit-sharing plans, carried interest plans, the granting of equity or "founder's" interests, the employment, service or other arrangements (including compensation arrangement) with actual or prospective members of the investment or operations team with respect to such Fund, and any and all arrangements and transactions related thereto), including the Service Provider Compensation of related Service Providers, Travel and Related Expenses (defined below) and filing fees, but

excluding any Side Letter Expenses (defined below); and (vii) compliance with any other applicable laws (including anti-money laundering or know-your-customer laws, rules or regulations) by such Fund, any parallel investment vehicle, any feeder vehicle, its General Partner, the Management Company, any related party investors or any of their respective affiliates or related entities that invest (directly or indirectly) in such Fund and/or in its General Partner or the Management Company (collectively, the “Organizational Expenses”).

A Fund’s management fees will be reduced for Organizational Expenses (other than Placement Fees) in excess of (i) with respect to Fund IV, \$2.5 million and (ii) with respect to SOF, \$2 million.

### *Operating Expenses*

Subject to the relevant Fund Offering Documents, each Fund will generally be responsible for all fees, costs and expenses incurred in connection with the operation, administration or carrying on of the activities or operations of such Fund (“Operating Expenses”) that its General Partner determines are allocable to such Fund, including:

- (a) fees, costs and expenses incurred in connection with sourcing, investigating, identifying, researching, evaluating, developing, initiating, negotiating, structuring, making, acquiring, closing, consummating, holding, monitoring, maintaining, managing, financing, refinancing, pledging, restructuring or otherwise disposing of any portfolio investment or any potential portfolio investment and all other similar transaction-based fees, costs and expenses incurred in connection with any of the foregoing (each of which can be reimbursed, all or in part, by the applicable portfolio company or can also be used for the benefit of the Management Company, its General Partner or any other related parties or any Other Client Vehicle without reimbursement to such Fund), including: (i) fees, costs and expenses incurred in connection with deal initiation, business development, investment banking, brokerage, underwriter (whether in the form of commissions or discounts), syndication, hedging, valuation, appraisal, due diligence, custodial, trustee, recordkeeping, lending, legal, attorney, accounting, auditing, administrator, tax, advisory, compliance and consulting (including Operating Team Member compensation) services, including Service Provider Compensation of related Service Providers; (ii) fees, costs and expenses incurred in connection with attending industry conferences and obtaining research, data, analytics, business intelligence (including any “expert networks”), modeling, structuring, pricing and execution services, in each case, that are incurred in connection with the operation, administration or carrying on of the investment activities or other operations of such Fund, including the fees, costs and expenses of any subscriptions and any computer terminals for the delivery of such services and the Service Provider Compensation of related Service Providers; (iii) fees, costs and expenses of any hedging transactions intended to hedge currency exposure or manage the duration of interest rate exposure; (iv) fees, costs and expenses incurred in connection with forming, managing, maintaining and disposing of any subsidiary vehicle (including entity-level taxes, ERISA obligations and the fees, costs and expenses of an ERISA bond); (v) indemnification, reimbursement or similar obligations incurred in connection with any portfolio investment or any potential portfolio investment; (vi) any obligation to pay the principal amount of, interest on, and any other fees, costs and expenses incurred in connection with any credit facility, including the negotiation, arranging and syndication thereof (“Borrowing Costs”); and (vii) Travel and Related Expenses;

- (b) Broken Deal Expenses;
- (c) management fees;
- (d) other fees, costs and expenses incurred in connection with the operation, administration or carrying on of the activities or operations of such Fund, including: (i) fees, costs and expenses of legal, attorney, accounting, auditing, administrative, tax, advisory, compliance and consulting (including Operating Team Member compensation) services, including the service provider compensation of related service providers (including certain local intermediaries); (ii) fees, costs and expenses incurred in connection with maintaining the books and records of such Fund (including the fees, costs and expenses of portfolio accounting systems licenses and related services, as well as the Service Provider Compensation of related Service Providers) and maintaining such Fund in good standing with respect to local, state and similar registrations, including any registrations with any non-U.S. governmental body; (iii) fees, costs and expenses incurred in connection with the preparation and distribution of such Fund's financial statements, reports, tax returns and Schedules K-1 (or additional or similar tax-related schedules) and any other tax reports or tax-related compliance activities (including the fees, costs and expenses incurred in connection with the purchase, implementation, maintenance and upgrade of computer software and hardware for use in preparing and distributing such Fund's financial statements, reports, tax returns and Schedules K-1 (or additional or similar tax-related schedules) and any other tax reports, as well as fees, costs and expenses incurred in connection with providing online or electronic access to information and reporting (including any upgrades or customizations incurred in connection therewith)); (iv) fees, costs and expenses incurred in connection with the registration, qualification, exemption under, and/or legal and regulatory compliance with, any applicable U.S. federal, state, local, non-U.S. law, rule or regulation relating to such Fund (including the preparation and submission of filings with the SEC (including Form PF, Form ID, Form D, Form 13F, Form 13H, Section 16 filings, Schedule 13D filings, and Schedule 13G filings), U.S. Commodity Futures Trading Commission, the National Futures Association, the U.S. Treasury, the U.S. Internal Revenue Service and any other federal, state, provincial, local or non-U.S. governmental body; (v) fees, costs and expenses incurred in connection with compliance with the U.S. Hart-Scott-Rodino Antitrust Improvements Act, as amended, and other antitrust laws, rules or regulations; (vi) fees, costs and expenses incurred in connection with compliance with the E.U. Alternative Investment Fund Managers Directive (Directive 2011/61/EU) or the laws, rules or regulations implemented or promulgated in any applicable jurisdiction in relation thereto (or similar marketing-related regulations in other jurisdictions), including the fees, costs and expenses of any depositary required in connection therewith; (vii) fees, costs and expenses incurred in connection with compliance with FATCA (as defined in the Partnership Agreement) and the fees, costs and expenses incurred in connection with compliance with any associated or similar law, rule, regulation, legislation or guidance; (viii) fees, costs and expenses incurred in connection with compliance with applicable laws, rules and regulations, including anti-money laundering, know-your-customer, anti-bribery, anti-corruption, privacy (including all data protection laws) and cybersecurity laws, rules and regulations (including the fees, costs and expenses incurred in connection with the implementation and compliance with any policies and procedures intended to provide for compliance with such laws, rules or regulations and

Service Provider Compensation incurred in connection with the engagement of Service Providers to assist with or advise on such compliance); (ix) fees, costs and expenses incurred in connection with any legal inquiries and examinations, including regulatory “sweeps” with respect to such Fund; (x) fees, costs and expenses incurred in connection with the implementation, operation and maintenance of information systems, software and related technology (including fees, costs and expenses relating to providing or maintaining access to electronic Subscription Agreements and any associated platform, software or related services (including any upgrades or customizations incurred in connection therewith)); (xi) fees, costs and expenses incurred in connection with obtaining data feeds, subscriptions, reports and similar research, data, analytic and business intelligence information; (xii) other operational and administration fees, costs and expenses of such Fund not otherwise expressly set forth herein; (xiii) Borrowing Costs; and (xiv) Travel and Related Expenses;

- (e) (i) litigation-related and indemnification fees, costs and expenses incurred in connection with any legal actions, suits or proceedings by or before any court, arbitrator, governmental body or other agency involving such Fund or the indemnification obligations of such Fund, including such Fund’s indemnification obligations and the amounts of any judgments or settlements paid in connection with such proceedings or indemnification; and (ii) fees, costs and expenses of any insurance policies for the benefit, directly or indirectly, of any indemnified person, including directors’ and officers’ (or other similar) liability insurance, errors and omissions insurance, cyber insurance, representation and warranty insurance or other insurance policies, or fidelity bonds (including commissions, premiums, deductibles, escrow fees and seller’s representative fees, costs and expenses incurred in connection with any of the foregoing);
- (f) fees, costs and expenses incurred in connection with forming, managing, maintaining and disposing of any subsidiary vehicle and that are not described above (including entity-level taxes, ERISA obligations, including any fees, costs and expenses of an ERISA bond);
- (g) taxes (including interest, penalties and other fees, costs and expenses incurred in connection with tax (including any fees, costs and expenses incurred in connection with any tax proceeding)) and other governmental body charges, in each case, other than any partner taxes;
- (h) fees, costs and expenses incurred in connection with the valuation or appraisal of any portfolio investment, portfolio company or any other securities, assets or other property of such Fund;
- (i) fees, costs and expenses incurred in connection with distributions of cash or, to the extent contemplated by such Fund’s Partnership Agreement, securities, assets or other property to one or more investors, including fees, costs and expenses incurred in connection with the preparation, initiation and processing of wire transfers and checks;
- (j) fees, costs and expenses incurred in connection with communications with one or more investors, including fees, costs and expenses incurred in connection with responding to requests, requirements or inquiries from one or more such investors, including reporting requests, requirements or inquiries from one or more such investors or due diligence



requests, questionnaires or checklists (including fees, costs and expenses incurred in connection with obtaining industry or market data for purposes of benchmarking the investment performance history of the Management Company or one or more of its affiliates or producing Institutional Limited Partners Association reporting templates or complying with similar reporting standards), irrespective of whether such communications or responses to such requests are mandated or contemplated by agreements (“Side Letters”) with certain investors which provide such investors with additional or different rights than such investors have pursuant to such Fund’s Fund Offering Documents.

- (k) fees, costs and expenses incurred by such Fund, its General Partner or the Management Company in connection with drafting, negotiating and entering into, and complying with, side letters, including their equivalents with respect to any parallel investment vehicle or feeder vehicle, including any fees, costs and expenses incurred by such Fund, its General Partner or the Management Company in connection with any related “most favored nations” provision election process (“Side Letter Expenses”);
- (l) fees, costs and expenses incurred in connection with compliance with environmental, social and governance (i.e., “ESG”) standards or policies, if any, applicable to such Fund or the Management Company or to which they subscribe to now or in the future, including investigation, training, monitoring, tracking, engagement, reporting and preparation of any documentation with respect thereto;
- (m) fees, costs and expenses related to holding meetings with one or more investors, including annual or special meetings of such Fund (which fees, costs and expenses will include Travel and Related Expenses incurred by (i) representatives of the Management Company, such Fund’s General Partner or any portfolio company or (ii) other attendees of any such meetings, and the fees, costs and expenses incurred in connection with the preparation and presentation of any media prepared in connection with such meetings, including speaker, entertainment, appearance and related fees, costs and expenses);
- (n) fees, costs and expenses incurred in connection with any default by an investor in respect of its available commitment;
- (o) fees, costs and expenses incurred in connection with (i) complying or monitoring compliance with the terms and provisions of such Fund’s Partnership Agreement, any subscription agreement, any side letter, the investment management agreement and the equivalents of any of the foregoing with respect to any parallel investment vehicle or feeder vehicle and (ii) obtaining or soliciting votes, consents, approvals or waivers under, or effecting amendments, restatements, modifications, changes, or any other revisions to, the terms or provisions of such Fund’s Partnership Agreement;
- (p) fees, costs and expenses incurred in connection with transfers of interests (including, for the avoidance of doubt, the preparation of any form transfer agreements or any proposed transfer that is not ultimately consummated) that are not otherwise borne by the applicable transferor or transferee;

- (q) fees, costs and expenses incurred by any member of the limited partner advisory committee in connection with the performance of his, her or their responsibilities as a member of the limited partner advisory committee, including Travel and Related Expenses and the Service Provider Compensation of any independent legal counsel appointed to assist the limited partner advisory committee as described above;
- (r) fees, costs and expenses incurred in connection with dissolving, liquidating, winding up and terminating such Fund;
- (s) fees, costs and expenses incurred in connection with sourcing, investigating, researching, evaluating, developing, initiating, negotiating, structuring, making, acquiring, closing, consummating, holding, monitoring, maintaining, managing, financing, refinancing, pledging, restructuring or otherwise disposing of temporary investments;
- (t) fees, costs and expenses of any hedging transactions (intended to hedge currency exposure or manage the duration of interest rate exposure) that are not incurred in connection with any portfolio investment; and
- (u) such Fund's share (as determined by its General Partner in good faith) of any fees, costs and expenses of the types described in this definition of Operating Expenses or in the definition of Organizational Expenses incurred in connection with forming, managing, maintaining and disposing of any co-investment vehicle, including fees, costs and expenses that such Fund would otherwise not have borne but for the participation of the co-investors (by way of example only and without limitation, the incremental aggregator-level auditing and reporting, tax, accounting and other administrative expenses).

“Broken Deal Expenses” means any and all fees, costs or expenses of the type set forth in the definition of “Expenses” incurred in connection with any proposed portfolio investment that is not consummated, including any fees (including commitment, termination and breakup fees, as well as “reverse” termination and breakup fees), or any deposits or working capital payments, that are payable or forfeited by a Fund in connection with any potential portfolio investment.

“Placement Fees” means any and all placement fees payable by, or in respect of, a Fund to any person or entity serving as a placement agent of such Fund in connection with the offering and sale of interests, including the out-of-pocket expenses borne by any such placement agent in connection with such activities (but excluding indemnification payments paid to any such placement agent); provided that fees, costs and expenses paid or reimbursed to local intermediaries will not constitute placement fees, but rather will constitute Expenses.

“Service Provider Compensation” means compensation paid or provided to any Service Provider, which compensation could be performance or success based or not performance or success based and which, for any period, could be fixed (regardless of the amount of work performed by the Service Provider during such period) or variable (depending on the amount of work performed by the Service Provider during such period) and which forms of compensation could include salary, bonus, securities (including direct or indirect interests in carried interest, management fees, transaction fees, breakup fees, monitoring fees or other fees), one-time or periodic fees (including retainer fees, success-based fees, board or finder's fees), profits interests, expense reimbursements

(including reimbursements of Travel and Related Expenses), co-investment rights with respect to one or more portfolio investments, and employee benefits or other similar forms of compensation, whether paid in cash or in kind.

“Service Providers” means service providers (including any investor or any affiliate thereof) engaged by any person or entity in connection with the operation, administration and carrying on of the business of such person or entity, including: accountants; auditors; administrators (including fund administrators or similar service providers who provide “back-office,” anti-money laundering and “know-your-customer”-related services, including anti-money laundering reporting officers); legal counsel and any other attorneys, lawyers and legal professionals (including paralegals, legal assistants and legal interns); financial advisors, brokers, dealers, investment bankers, underwriters, valuation experts, appraisers and other similar professionals; credit providers; tax professionals; consultants (including Operating Team Members, information technology consultants, strategic consultants, management consultants, environmental consultants, “ESG” consultants, public relations consultants and other subject-matter consultants); due diligence experts; research, data, analytic, business intelligence (including “expert network”), modeling, structuring, pricing and execution service providers; software and related service providers; portfolio accounting and related service providers; placement agents, recruitment agents and finders; local intermediaries; depositories; trustees; agents; custodians and safe-keeping service providers; and any other service providers.

“Travel and Related Expenses” means fees, costs and expenses incurred in connection with: (a) travel by way of private or noncommercial aircraft; (b) travel by way of first or business class travel; (c) use of livery or other automotive (i.e., car) services, including reimbursement of mileage; (d) lodging and accommodations; (e) personal and business meals; and (f) business entertainment (in each case, irrespective of whether such fees, costs and expenses are incurred in connection with portfolio investment-related matters or potential portfolio investment-related matters or the operation, administration or carrying on of the activities and operations of a Fund). In addition, investors should be aware that references herein and in the relevant Partnership Agreements to Travel and Related Expenses will not necessarily be incurred solely in connection with portfolio investment-related travel, but could include (i) such expenses incurred by TruArc personnel in connection with (A) the discharge of their duties and responsibilities to a General Partner and the Management Company while remaining in the Management Company’s principal offices (or working remotely, as applicable), including on an “after business hours” basis, (B) business development or (C) business entertainment and (ii) Travel and Related Expenses of Service Providers. Moreover, transportation fees, costs and expenses could include the payment or reimbursement of public transportation (such as bus or subway) fare, taxi fare, “black car” fares (including services provided by Uber, Lyft and other similar vendors) and railway tickets (including any such fares or tickets charged at “first class” rates) and such meal expenses could include food ordered through delivery services, such as SeamlessWeb, GrubHub or Uber Eats. A variety of commercial, economic, environmental, political, social or other factors will influence the Management Company’s decision to permit the frequency of the use of such air travel to change or even increase (including, but not limited to, the occurrence or threat of pending catastrophic and other force majeure events, such as the outbreak of infections or contagious diseases).

#### *Fees for Services*

To the extent that a General Partner, the Management Company or any of their respective affiliates provide services to the relevant Fund or any portfolio investment that would otherwise be performed by independent third parties (other than services expressly set forth in or contemplated by the relevant Partnership Agreements or such Fund's investment management agreement), such General Partner, the Management Company or any such affiliate will receive fees at rates customarily charged for similar services in arm's-length transactions by persons engaged in the same or substantially similar activities and the provisions of any such agreement shall be at least as favorable to the relevant Fund or such portfolio investment as the terms reasonably expected by such General Partner to be available in an arm's-length transaction with an independent third party.

### *Operating Team Members*

As further described in Item 8 below, TruArc partners its investment team with professionals that have deep and functional operating experience with portfolio companies ("Operating Partners") as well as deal-specific industry executives with direct knowledge of a target company's customers and competitors ("Operating Advisors") (collectively referred to as "Operating Team Members"). Each Fund and each portfolio company is permitted to retain the services of one or more Operating Team Members. The Operating Team Members could be former, current or prospective executives of former, current or prospective portfolio companies of Other Client Vehicles, industry executives or advisors (including deal-specific industry executives), research consultants, financial experts, sourcing consultants, members of expert networks, operating executives or senior advisors, and operating professionals, subject matter, industry or regulatory experts or other individuals acting in a similar capacity (but may not be, as of the date of engagement, a then-existing employee or partner of the relevant General Partner or the Management Company without approval of the limited partner advisory committee), and the scope of the services to be provided by any Operating Team Member could include advice with respect to existing and/or potential portfolio investments. Certain Operating Team Members could provide services through personal holding vehicles or other entities, including business enterprises the sole or primary clients of which are a Fund or portfolio companies. Furthermore, each Fund, each General Partner, the Management Company and each portfolio company is permitted to engage, retain or employ Operating Team Members in any manner it deems reasonable or desirable under the circumstances, including either as independent contractors or employees for U.S. federal income tax, labor or other purposes, and such engagements, retainers or employment can be with a Fund, the Management Company, any portfolio company or any of their affiliates. An employer of an Operating Team Member is permitted to, unless agreed to otherwise, terminate the engagement, retainer or employment of such Operating Team Member at any time and for any reason, in its sole and absolute discretion.

Upon the acquisition of a portfolio investment, it is expected that the Operating Team will be compensated by the relevant portfolio company and will participate in the management equity incentive programs. TruArc believes that the Operating Team's receipt of cash and equity consideration directly from the respective portfolio companies helps to create alignment between the Operating Team and portfolio company management. However, if a prospective portfolio investment is not consummated, compensation paid to the Operating Team will be borne by the relevant Fund(s).

Although the General Partners and the Management Company intend to make all engagement, retainer or employment decisions for Operating Team Members in good faith and only to the extent

that any such Operating Team Member possesses substantial, significant or otherwise relevant experience or expertise to serve in the capacities for which she, he or it is (or they are) engaged, it will not always be readily apparent that such decisions were necessarily made in such fashion and reasonable minds might disagree.

## **Item 6      Performance-Based Fees and Side-by-Side Management**

### *Carried Interest Distributions*

Carried interest distributions are described in Item 5 above. The existence of a General Partner's carried interest distributions might create an incentive for such General Partner to acquire riskier or more speculative portfolio investments on behalf of the relevant Fund than would be the case in the absence of such performance-based compensation, although such General Partner's commitment to the relevant Fund and such General Partner's clawback obligations should tend to reduce this incentive. Each General Partner is permitted, at any time, and in its sole and absolute discretion, to agree with any investor to waive, reduce, or calculate differently all or any portion of the carried interest distributions with respect to such investor.

### *Holding Period Requirements for Long-Term Capital Gain*

Non-corporate U.S. persons (including the direct and indirect owners of a General Partner) are subject to U.S. federal income tax on long-term capital gain at rates that are substantially lower than the rates applicable to ordinary income or short-term capital gain. In general, gain from the disposition of an investment of a Fund held for more than one year will be treated as long-term capital gain. However, gain that is allocated to a General Partner in respect of carried interest distributions or capital contributions made by investors that are used to effect a portion of such General Partner's participation in the relevant Fund's investment program (referred to in the relevant Partnership Agreements as "incentive capital contributions") will be treated as short-term capital gain unless such Fund's holding period in the relevant investment is more than three years. This special rule does not apply to allocations to a General Partner of qualified dividend income in respect of carried interest distributions or "incentive capital contributions" and, therefore, these allocations will continue to qualify for the preferential tax rate for non-corporate persons. As a consequence, conflicts of interest will arise between the interests of a General Partner and the interests of the investors in connection with such General Partner's investment-related determinations. Such determinations include, but are not limited to, decisions with respect to sourcing, investigating, identifying, researching, evaluating, developing, initiating, negotiating, structuring, making, acquiring, closing, consummating, holding, monitoring, maintaining, managing, financing, refinancing, pledging, restructuring or otherwise disposing of the relevant Fund's investments. In other words, even if faced with an opportunity to dispose of an investment before the expiration of the applicable three-year holding period, and notwithstanding that such disposition opportunity may be in the best interests of a Fund, all things being equal, the relevant General Partner will be incentivized to cause such Fund to hold the investment at least until the three-year holding period has expired. Prospective investors should consider these potential conflicts in making their investment decisions and expect that a General Partner's determinations might be influenced, in part, by the tax treatment of capital gain in respect of the carried interest distributions and "incentive capital contributions."

### *Co-Investment Opportunities*

Each General Partner is permitted, in its sole and absolute discretion, to provide any person or entity, including (i) any investor or any of its respective affiliates, (ii) any additional Fund, (iii) any Other Client Vehicle, (iv) any former, current or prospective management team member, consultant or advisor of a former, current or prospective portfolio company or portfolio company of an Other Client Vehicle or any of their respective affiliates, (v) any former or prospective investor or investor (or similar equity holder) of an Other Client Vehicle or any of their respective affiliates, (vi) any Operating Team Member or (vii) any other person (including any third-party co-investor), the opportunity to co-invest alongside the relevant Fund in one or more portfolio investments, either simultaneously or subsequent to an investment by such Fund subject to such timing and other conditions as such General Partner determines. A General Partner is under no obligation whatsoever to make co-investment opportunities available to one or more of the foregoing persons or entities, including any investor. Such third-party co-investor could be any person or entity (other than an affiliate of a General Partner) that a General Partner or any other affiliate thereof provides with the opportunity to co-invest with the relevant Fund in one or more portfolio investments, which could include persons or entities that provide (or have provided), among others, such Fund, any affiliate of the General Partners, any former, existing or prospective portfolio company, any Other Client Vehicle or any former, existing or prospective portfolio company of any Other Client Vehicle with a strategic, financial, operational, commercial, sourcing, distribution or other similar benefit (including Operating Team Members, financing sources or other lenders, former portfolio company management team members, consultants or advisors, former investors, former investors (or similar equity holders) of any Other Client Vehicles or any of their respective affiliates). In addition, to the extent any such co-investment opportunity consists of more than one type of security or instrument, a General Partner's allocation of such opportunity could be performed on a security- or instrument-specific basis as between the relevant Fund, on the one hand, and any individual co-investor, on the other hand, resulting in any such co-investor holding such securities or instruments in different proportions (or only holding one type of such security or instrument) as compared to such Fund or as compared to any other co-investor.

As a result, a General Partner could offer such opportunities in such proportions in its sole discretion to one or more investors to the exclusion of all other investors or to one or more other third-party co-investors in addition to, or to the exclusion of, any investors, especially when such General Partner is economically incentivized to do so. A General Partner will consider any factors it deems relevant in determining allocations of co-investment opportunities, including, without limitation, (a) the aggregate size of the co-investment opportunity; (b) the potential co-investor's size, sophistication, status or tenure as an investor with the Management Company or its affiliates generally (including, for this purpose, Snow Phipps or the Snow Phipps General Partners); (c) the potential co-investor's commitment to making co-investment funds available or expressed desire or interest to participate in co-investments; (d) the ability of the potential co-investor to commit to invest and execute on such investment in a time period acceptable to such General Partner; (e) the level of due diligence comfort required by the potential co-investor; (f) the ability of the potential co-investor to commit to a significant portion of such opportunity; (g) the potential co-investor's financial and operational resources and other relevant wherewithal to evaluate and participate in the co-investment opportunity; (h) the economic terms or commercial considerations on which the potential co-investor agrees to participate; (i) whether the potential co-investor provides strategic value or other benefits in respect of such co-investment or the proposed portfolio company, such as

by having relevant experience in the sector or existing relationships with management or other relevant parties; (j) the expertise, knowledge and sophistication of the potential co-investor with respect to the proposed portfolio company, segment, industry, geographic region or other characteristics that are relevant to the investment; (k) whether the potential co-investor has an interest in investing in the industry in which the proposed portfolio company operates; (l) whether the participation of the potential co-investor in the acquisition group could improve the relevant Fund's chances to win the deal in a competitive auction situation; (m) the geographic nexus between the potential co-investor and proposed portfolio company; (n) whether the proposed investment is of a financial nature that is attractive to the potential co-investor; (o) the existence of a formal or informal strategic relationship with the potential co-investor; (p) the size of the potential co-investor's commitment to the relevant Fund or any Other Client Vehicle or, if it is not yet an investor of such Fund or an investor in such Other Client Vehicle, its willingness to make such a commitment to such Fund or Other Client Vehicle in connection with, in consideration of or in exchange for the opportunity to participate in a co-investment as a co-investor (or *vice versa*); (q) whether and to what extent the potential co-investor has been offered and accepted (or passed on) prior co-investment opportunities offered to it, whether by the Management Company or any of its affiliates (including, for this purpose, Snow Phipps or the Snow Phipps General Partners; (r) the ability of the potential co-investor to provide debt or other financing in connection with such investment; (s) the ability of the potential co-investor to enter into an equity commitment letter or similar agreement with respect to such co-investment in a timely fashion and on terms acceptable to such General Partner; (t) whether the participation of the potential co-investor in the proposed investment could add value to the proposed portfolio company; or (u) any other tax, legal, regulatory, accounting or other relevant consideration, restriction or requirement or any such other factors as such General Partner deems relevant, which could include expected holding investment period, services provided by the potential co-investor to the proposed portfolio company (or otherwise provided by the potential co-investor with respect to the investment), and/or subjective determinations such as working relationships and strategic benefits to the relevant Fund, any Other Client Vehicles or to such General Partner, the Management Company, the Principals, any other TruArc personnel or any other affiliates of such General Partner. The relevance of each such factor will vary from co-investment opportunity to co-investment opportunity, and a General Partner could weigh one or some of such factors more heavily than (or could consider one or some of such factors to the exclusion of) other factors in its sole and absolute discretion. In addition to the foregoing, a General Partner will be incentivized to afford co-investment opportunities to any investor (to the potential exclusion of other investors or other potential co-investors) with whom it has agreed to waive, reduce or calculate differently all or any portion of the carried interest distributions, management fee or one or more other categories of Expenses with respect to such investor unless such investor is afforded co-investment opportunities of a certain size or of a certain aggregate amount. Such agreements can be memorialized by way of Side Letters.

There can be no assurance with respect to the existence or amount of any co-investment opportunity that will be made available, and nothing in the Fund Offering Documents constitutes a guarantee, prediction or projection of the availability or size of future co-investment opportunities. There will be circumstances where an amount that could have otherwise been invested by a Fund is instead offered to one or more co-investors, even though the full investment limitations under the relevant Partnership Agreements have not been reached. In other circumstances, co-investments will be made available to and shared with co-investors, and thus not all amounts available to a Fund relating to a portfolio investment will be presented to such Fund as a result and such Fund will not acquire

the entirety of the investment opportunity presented thereto. While such an offer of co-investment opportunity could be in a Fund's interest, for instance in order to increase diversification, such allocation could also (or will only) involve a benefit to its General Partner, the Management Company, the Principals, the other TruArc personnel or any other related parties, including, without limitation, incentivizing such potential co-investor to make a capital commitment to such Fund or any Other Client Vehicle (or to make a capital commitment of a certain size), conditioning such co-investment opportunity on such prospective co-investor making a capital commitment to such Fund or any Other Client Vehicle (or making a capital commitment of a certain size), generating Co-Investment Economics (defined below) or reducing such Fund's Allocable Share of Transaction Fees, Breakup Fees or Monitoring Fees.

The terms of any such co-investment, including the management fees, performance fees, carried interest, and incentive allocation and the fees, costs, expenses, liabilities and other obligations applicable to (or to be borne in connection with) such co-investment, if any, will be negotiated by the relevant General Partner and the potential co-investor on a case-by-case basis in their respective sole and absolute discretion. Any such co-investments could afford such potential co-investor with the right to participate in (or otherwise receive the benefit of) any of the fees or reimbursements described in the definition of Co-Investment Economics that would otherwise be for the benefit of any affiliate of a General Partner or the relevant Fund, which participation could be in the form of a direct payment to such co-investor (or, in the case of a potential co-investor who is also an investor, in the form of a waiver, discount or other reduction to the management fee, carried interest distributions or expenses of the relevant Fund otherwise borne by such co-investor in its capacity as an investor). Such Co-Investment Economics will result in economic arrangements for the benefit of an affiliate of a General Partner or the relevant co-investor, as the case may be, that are different from the analogous or comparable economic arrangements applicable to investors under the relevant Partnership Agreements. Furthermore, such Co-Investment Economics will not be for the benefit of any Fund or any investor.

The management fees and carried interest distributions received by the Management Company and a General Partner from or with respect to the relevant Fund, and the amount of expenses charged to such Fund, will likely be different from such amounts paid by or charged to co-investment vehicles pursuant to the terms of such vehicles' governing documents and other agreements with co-investors, and such variation in the amount of fees, costs and expenses will create an economic incentive for such General Partner to allocate a greater or lesser percentage of an investment opportunity to the relevant Fund or such co-investment vehicles (or co-investors), as the case may be. In addition, other terms of existing and future co-investment vehicles could differ materially from, and in some instances will be more favorable to the co-investors participating therein or any affiliate of a General Partner than, the terms of the relevant Fund, and such different terms can be expected to create an incentive for a General Partner to allocate a greater or lesser percentage of an investment opportunity to the relevant Fund or such co-investment vehicles, as the case may be. Such incentives will give rise to conflicts of interest, and there can be no assurance that any investment opportunities that would have otherwise been offered to a Fund, or the investors through a co-investment, will be made available to them.

Any such co-investments (i) will generally not be subject to management fees, performance fees, carried interest, incentive allocation or reimbursement for fees, costs, expenses, liabilities or other obligations that would otherwise be for the benefit of any General Partner affiliate (or



reimbursements for fees, costs, expenses, liabilities or obligations that would otherwise be for the benefit of the relevant Fund), although such co-investments could be subject to different or differently calculated management fees, performance fees, carried interest, incentive allocation or reimbursements for fees, costs, expenses, liabilities or other obligations as compared to the arrangements applicable to investors under the relevant Partnership Agreements, (ii) could be subject to (or, as compared to investors under the relevant Partnership Agreements, could be subject to different or differently calculated), as applicable, upfront fees, original issue discount, commitment fees, agent fees, consulting fees, closing fees, monitoring fees, administrative fees, advisory fees, structuring fees, transaction fees, directors' fees, breakup fees and other fees, as applicable, that would otherwise be for the benefit of any General Partner affiliate or such co-investor, in each case, in the sole and absolute discretion of a General Partner and (iii) could afford such potential co-investor with the right to participate in (or otherwise receive the benefit of) any of the fees or reimbursements described in either of the foregoing clauses (i) or (ii) that would otherwise be for the benefit of any General Partner affiliate or the relevant Fund, which participation could be in the form of a direct payment to such co-investor (or, in the case of a potential co-investor who is also an investor, in the form of a waiver, discount or other reduction to the management fee, carried interest or other fees, costs or expense of the relevant Fund otherwise borne by such co-investor in its capacity as an investor) (any such fees, compensation, reimbursements or obligations, or the arrangements therefor, as described in the foregoing clauses (i) through (iii), the "Co-Investment Economics"), will be negotiated by a General Partner and the potential co-investor on a case-by-case basis in their respective sole and absolute discretion. As described therein, Co-Investment Economics will be for the benefit of the applicable General Partner affiliate (or, to the extent such co-investor does not bear any fees, costs, expenses, liabilities or other obligations in connection with such co-investment, or is the recipient of any commitment fees, consulting fees, monitoring fees, advisory fees, structuring fees, transaction fees or other similar fees, as applicable for the benefit of such co-investor) and not for the benefit of the Fund or any investor. Because the management fee borne by the Fund will not be offset by any upfront fees, original issue discount, commitment fees, agent fees, consulting fees, closing fees, monitoring fees, administrative fees, advisory fees, structuring fees, transaction fees, directors' fees, breakup fees and other fees, as applicable, allocable to co-investors (and other owners for that matter), this will incentivize a General Partner to allocate a greater portion of the relevant investment to co-investors than it would otherwise in the absence of such an arrangement, thereby reducing the amount of management fee offset for the relevant Fund.

In addition to the foregoing, a co-investor could be granted rights (including, but not limited to, preemptive rights), or might otherwise be offered the opportunity to acquire, additional equity or debt securities or instruments of a portfolio company in connection with primary issuances, or in connection with secondary purchases, of such securities or instruments that are made available in the context of an existing co-investment. Such rights or opportunities could also come in the form of the right or opportunity to provide financing to a portfolio company. A co-investor could also be granted "over-allotment" rights in connection with the exercise of such rights, which may be exercised in instances where other direct or indirect investors in the portfolio company (including the Fund) fail or elect not to exercise their rights. The result of the acquisition of any such equity or debt securities or instruments by a co-investor (or by the relevant Fund in circumstances where such co-investor is not also acquiring any such equity or debt securities or instruments) could result in such co-investor owning securities or instruments in different proportions as compared to such Fund, or result in such co-investor owning securities or instruments in different parts of the capital

structure of the applicable portfolio company as compared to such Fund. If all or a portion of such securities or instruments, particularly those in a different part of the capital structure as compared to the relevant Fund's investment, are held by such co-investor through a co-investment vehicle (or through aggregators or similar vehicles formed to facilitate co-investment) alongside such Fund, then conflicts of interest will arise as a result. Furthermore, a co-investor (including a co-investor who is also an investor in a Fund) typically has access to information that investors typically do not have access to, including by way of portfolio company-level reporting or portfolio company board membership or observer rights. A co-investor could also be granted liquidity rights similar to or different from those granted to such Fund, including but not limited to tag-along rights, drag-along rights, registration rights, redemption rights (by way of example, if a sale of a portfolio investment does not take place by an agreed-upon date), put or call rights, rights of first refusal and rights of first offer, each of which may be exercised by the co-investor in a manner different from that of such Fund. Finally, co-investors could be granted governance rights similar to or different from those of a Fund. The foregoing list is not intended to be exhaustive and, as such, the possibility of complex conflicts of interest cannot be foreclosed.

Finally, a co-investment involving a Fund and any co-investment vehicle controlled by such Fund's General Partner or its affiliates on a discretionary basis will generally be made and disposed of proportionally, at substantially the same time, and on substantially the same terms and conditions, as such Fund makes or disposes of the corresponding portfolio investment but could, in its General Partner's sole discretion, be effected (i) by a purchase by such Fund of a portfolio investment from one or more of the relevant co-investor(s) or (ii) by way of a co-investment "sell down" that occurs within 12 months of such Fund's original investment. In connection with any such co-investment "sell down," a General Partner is permitted, but will not be obligated, to charge the applicable co-investor an amount calculated as notional interest on the portion of the bridge financing acquired thereby. To the extent charged with respect to a co-investment "sell down," such notional interest could, in each General Partner's sole discretion, be calculated on the same basis as the Preferred Return and could be distributed on a *pro rata* basis to all partners in proportion to their respective capital contributions used to fund the acquisition cost of the applicable portfolio investment (and, with respect to any investor, such notional interest could be included as part of cumulative distributions for purposes of determining the preferred return). In the alternative, such notional interest could be calculated based on such co-investor's *pro rata* share (based on its interest in the applicable portfolio investment made by such co-investor) of the Borrowing Costs incurred in connection with any credit facility utilized in connection with consummating the portfolio investment subject to such co-investment "sell down," which, to the extent charged, could be paid by the relevant Fund to the applicable credit provider. The portion of the portfolio investment that is the subject of a co-investment "sell down" will be treated as a bridge financing for all purposes of the relevant Partnership Agreements. For the avoidance of doubt, a General Partner will be permitted to cause a Fund and any parallel investment vehicle thereof to participate in a co-investment "sell down" on a non-*pro rata* basis (including by excluding one or more of such vehicles from such co-investment "sell down" entirely) in order to satisfy tax, legal, regulatory, accounting or other relevant considerations, restrictions or requirements (including of a commercial nature) applicable to the relevant co-investor acquiring the investment, and will also be permitted to cause such Fund and any parallel investment vehicle thereof to acquire a portfolio investment on a non-*pro rata* basis in order to facilitate an anticipated co-investment "sell down" that will require such non-*pro rata* disposition to the relevant co-investor. Each General Partner, however, expects to ultimately adjust the ownership interests in such portfolio investment among the parallel

investment vehicles so that their respective interests therein are, as close as possible, in proportion to their respective commitments.

#### *Fees, Costs and Expenses Related to Co-Investment Transactions Not Borne by Co-Investors*

Although it is generally desired for co-investors that acquire a co-investment interest in one or more portfolio companies to bear their *pro rata* share of the various fees, costs, expenses, liabilities or obligations related to their co-investments, to the extent a particular co-investor (including a potential co-investor) does not pay (or does not agree to pay) its *pro rata* share of any such fees, costs, expenses, liabilities or obligations related to its co-investments (or potential co-investments), or a particular co-investor does not otherwise bear (or does not agree to bear) its *pro rata* share of any liability, obligation or other economic burden arising after its co-investment was originally consummated (by way of example only, by not funding any share of the Borrowing Costs incurred by the relevant Fund in connection with the applicable portfolio investment, by not participating in a guarantee of portfolio company indebtedness or by not providing additional capital to a portfolio company experiencing a cash shortage or financial distress), then such fees, costs, expenses, liabilities or obligations will be borne entirely by such Fund or the applicable portfolio company and not by such Fund's General Partner, the Management Company or any of their respective affiliates. The foregoing could also result if a Fund seeks to, but is unable to, sell or dispose of a portion of such Fund's interest in a particular portfolio investment to co-investors. In addition, in the context of co-investments that are not consummated, such Fund will bear unreimbursed Broken Deal Expenses in their entirety, including costs related to the failed co-investment process.

Without limiting the foregoing, each Fund will, from time to time, enter into equity commitment or similar arrangements whereby, subject to any applicable documentation, such Fund agrees that upon the closing of a transaction with respect to a potential portfolio company, it will purchase securities, assets or other property in a transaction. Furthermore, in certain instances, a Fund will also enter into limited guarantees or similar arrangements whereby, subject to any applicable documentation, such Fund agrees that if a transaction with respect to a potential portfolio company is not consummated, it will pay a "reverse termination fee" or "reverse breakup fee" (often as a percentage of the total value of the transaction) to the seller. Prospective investors should not assume that potential co-investors will be parties or subject to such equity commitment arrangements or limited guarantees (whether directly or on a back-to-back basis with a Fund). Therefore, each Fund will generally be responsible for the entire equity purchase price, reverse termination fee or reverse breakup fee, as applicable.

## **Item 7      Types of Clients**

TruArc provides discretionary investment management services to pooled investment vehicles such as Fund IV and SOF. TruArc does not provide specific investment advice with regard to the investors within the Funds.

The minimum commitment to Fund IV and SOF by any investor will be \$5 million in each case, although each General Partner reserves the right to accept commitments of lesser amounts in its sole and absolute discretion.

Each Fund only admits sophisticated investors that are "*accredited investors*," as defined in Rule

501(a) of Regulation D under the Securities Act of 1933, and “*qualified purchasers*” (or “*knowledgeable employees*”), as defined in the Investment Company Act of 1940 (the “IC Act”) and the rules thereunder.

Each General Partner, on behalf of each respective Fund, will enter into Side Letters with certain investors which provide such investors with additional or different rights than such investors have pursuant to the relevant Fund Offering Documents. As a result of such Side Letters, certain investors have received additional rights (which may include expanded informational rights or preferential economic terms) which other investors have not and will not receive. The Management Company and the General Partners are not required to notify all investors of any such Side Letters or any of the rights or terms or provisions thereof, and are not required to offer such additional or different rights or terms to all investors. Further information regarding Side Letters is included in Item 8 below.

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

TruArc will, with respect to Fund IV, continue to pursue the same middle-market strategy that the Senior Investment Team has executed in Fund I, Fund II and Fund III. Fund IV will target investments in companies primarily headquartered in North America, generally with enterprise values ranging from \$100 million to \$500 million and that are expected to require equity investments between \$50 million and \$150 million in the initial investment or through a series of transactions. Fund IV’s investments are expected to primarily be in the form of controlling positions in companies achieved through leveraged acquisitions, build-ups, recapitalizations, growth equity buyouts and restructuring transactions.

TruArc, with respect to SOF, will seek to opportunistically invest across a wide range of securities issued by middle-market companies primarily headquartered in North America, including but not limited to Structured Securities, and common equity or similar securities in connection therewith. SOF will seek to pursue investments in companies in the Specialty Manufacturing and Business Services sectors, which are also key sectors of focus for the TruArc PE Funds. The SOF Investment Team generally intends to seek portfolio investments for SOF ranging in size from \$20 million to \$40 million, including subsequent follow-on investments.

TruArc utilizes what it believes to be a targeted operating team model, by focusing exclusively on its “Target Sectors” (composed of Business Services and Specialty Manufacturing) and collaborating with professionals that have deep and functional operational experience (“Operating Partners”) within these industries. TruArc believes its dedicated Target Sector focus and utilization of Operating Partners enhances its ability to identify, diligence, and execute transactions, and brings insightful operational viewpoints to the Firm’s investment process. TruArc’s Operating Partners have over 200 years of collective experience, including approximately 60 years working with members of the SOF Investment Team on 20 transactions in TruArc and Snow Phipps private equity funds. In addition, TruArc will seek to leverage the expertise of deal-specific industry executives with direct knowledge of a target company’s customers and competitors (“Operating Advisors” and, collectively with the Operating Partners, the “Operating Team”) to provide industry knowledge and

functional expertise to complement the experience of the SOF Investment Team and Operating Partners.

Fund IV intentionally focuses on companies with EBITDA between \$10 million and \$50 million for several reasons. First, the Senior Investment Team has significant experience investing in middle-market companies. The Firm believes that this extensive and relevant experience should allow the Firm to source opportunities, efficiently identify attractive prospective opportunities that lend themselves to the Firm's operationally focused approach and execute value creation strategies. The Firm also believes that the middle market presents investment opportunities that have several attributes that the Firm seeks in its investments: (i) ability to pursue multiple levers of value creation; (ii) companies of this size can support the investment in deeper and more experienced management teams; (iii) during the Firm's ownership period, organic and acquisition strategies can drive transformational earnings growth; and (iv) the execution of the Firm's investment strategy potentially increases the types of exit alternatives and expansion of exit valuation and leverage metrics.

SOF will generally seek to invest between \$20 million and \$40 million per platform investment in companies primarily headquartered in North America with EBITDA between \$5 million and \$50 million. TruArc believes that this segment of the middle market is relatively less efficient with fewer competitive capital providers and therefore may present potential opportunities to achieve compelling risk-adjusted return. Further, the Firm believes that the middle market could present investment opportunities which have attractive attributes for investment, including (i) potentially greater opportunities for TruArc to identify and support multiple levers of value creation and structural incentives to execute on the portfolio companies' intended plans, (ii) the ability to support investment at SOF's desired hold limits, (iii) the potential to achieve meaningful earnings growth potential through pursuit of organic and acquisition strategies during SOF's hold period and (iv) the potential to benefit from increased exit alternatives and expansion of exit valuation and leverage metrics through a successful execution of the companies' business plan.

While Operating Partners allow the Firm to deliver a consistent investment approach that TruArc believes can be repeatable and referenceable in the market, Operating Advisors bring experiences directly relevant to best execution in a given sub-sector. Upon the acquisition of a portfolio investment, it is expected that the Operating Team will be compensated by the relevant portfolio company and will participate in the management equity incentive programs. The Firm believes that the Operating Team's receipt of cash and equity consideration directly from the respective portfolio company helps to create alignment between the Operating Team and company management. However, if a prospective portfolio investment is not consummated, compensation paid to the Operating Team will be borne by the relevant Fund.

### *Risk Factors*

Investments in a Fund entail numerous risks of varying degrees which should be undertaken only by investors capable of evaluating and bearing them. Risks include the potential loss of some or all of an investor's capital investment. Please also refer to the relevant Fund Offering Documents for more comprehensive information on risks.

### *Highly Competitive Market for Investment Opportunities*

The success of each Fund will depend on the availability and identification of suitable investment opportunities and such Fund's ability to negotiate and arrange the closing of appropriate transactions and ability to arrange for the timely disposition of such investments. The activity of identifying, completing and realizing on attractive portfolio investments is highly competitive and involves a high degree of uncertainty, especially with respect to timing. There can be no assurance that a Fund will be able to identify and complete portfolio investments which satisfy its investment objective, or realize the value of such portfolio investments or that it will be able to invest its commitments fully. The availability of investment opportunities will be subject to market conditions, the prevailing regulatory conditions or the political climate in industries and regions in which a Fund invests and other factors outside the control of such Fund. Each Fund expects to encounter competition from other entities having similar investment objectives, such as other investment partnerships and corporations, business development companies, strategic and industry participants and other financial investors investing directly or through affiliates. Competition for appropriate investment opportunities will reduce the number of investment opportunities available to a Fund and adversely affect the terms upon which investments can be made. Such competition may be particularly acute with respect to participation by a Fund in auction proceedings and, specifically, those conducted pursuant to Section 363 of Title 11 of the United States Code, as amended (the "Bankruptcy Code"), where such Fund competes with other prospective bidders to acquire the assets of a distressed company through a bankruptcy court-supervised auction. Moreover, over the past several years, an ever-increasing number of private equity funds with objectives similar to those of the Funds have been formed. Additional funds with similar investment objectives are likely to be formed in the future by other parties. Some of these competitors could have more relevant experience, greater financial resources and more personnel than the Funds. It is possible that competition for appropriate investment opportunities will increase, thus reducing the number of opportunities available to the Funds and adversely affecting the terms upon which portfolio investments can be made.

#### *Uncertain Economic, Social and Political Environment*

Consumer, corporate and financial confidence could be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts (such as the current Russia-Ukraine conflict, as described below), localized or global financial crises, virus or disease epidemics such as the COVID-19 (defined below) pandemic or other sources of political, social or economic unrest. Such erosion of confidence could lead to or extend a localized or global economic downturn. A climate of uncertainty could reduce the availability of potential investment opportunities and increase 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 could have an adverse effect on the economy generally and on the ability of the Funds and their portfolio investments to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This could slow the rate of future investments by a Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn could have an adverse effect upon a Fund's portfolio investments.

#### *Russia-Ukraine Conflict and Israel-Hamas Conflict*

There is currently an ongoing military conflict between Russia and Ukraine which has caused disruption to global financial systems, trade and transport, among other things. In response, multiple other countries have put in place global sanctions and other severe restrictions or prohibitions on the activities of individuals and businesses connected to Russia. In addition, there is currently an ongoing military conflict between Israel and Hamas. The ultimate impact of these conflicts and the effect of each on global economic and commercial activity and conditions, and on the operations, financial condition and performance of a Fund and its portfolio investments or any particular industry, business or investee country, and the duration and severity of those effects, is impossible to predict. Either or both of these conflicts could have a significant adverse impact and result in significant losses to a Fund and its portfolio investments. This impact could include reductions in revenue and growth, unexpected operational losses and liabilities and reductions in the availability of capital. It could also limit the ability of a Fund to source, diligence and execute new investments and to manage, finance and exit investments in the future. Developing and further governmental actions (military or otherwise) could cause additional disruption and constrain or alter existing financial, legal and regulatory frameworks and systems in ways that are adverse to the investment strategy a Fund intends to pursue, all of which could adversely affect such Fund's ability to fulfill its investment objectives.

#### *Climate Change-Related Risks*

The Management Company, the General Partners and the Funds could be exposed to potential risks from possible future changes in climate. The portfolio companies could be exposed to catastrophic weather events, such as severe storms or floods. If the frequency of extreme weather events increases due to climate change, the Funds' exposure to these events could increase. In addition, the Management Company, the General Partners, the Funds and/or their respective affiliates could be adversely impacted by regulatory changes related to climate change and the impacts of such changes on the supply chain or stricter energy efficiency standards. The Management Company, the General Partners, the Funds and/or their respective affiliates cannot provide any assurance that any existing or future regulatory changes will not materially and adversely impact the Management Company, the General Partners, the Funds or their respective affiliates, or portfolio companies' operations and businesses in the future.

#### *Political Tensions between the United States and China*

Political tensions between the United States and the People's Republic of China ("PRC") have escalated since the COVID-19 outbreak, the PRC National People's Congress' passage of Hong Kong national security legislation, the executive orders issued by former U.S. President Trump in August 2020 that prohibit certain transactions with ByteDance Ltd., Tencent Holdings Ltd. and the respective subsidiaries of such companies, and the executive order issued by former U.S. President Trump in November 2020 that prohibits U.S. persons from transacting in publicly traded securities of certain "Communist Chinese military companies" named in such executive order.

Furthermore, in January 2021, the Chinese government announced sanctions against former Secretary of State Mike Pompeo and other high-ranking officials under former U.S. President Trump. Tensions continued to rise when, in May 2022, U.S. President Biden said that the United States would intervene militarily to defend Taiwan if, among other reasons, China invades Taiwan by force. In August 2022, the PRC responded to the visit by former Speaker of the United States

House of Representatives Nancy Pelosi to Taiwan by taking various actions including canceling dialogue with the United States on military issues, climate change and other topics and launching military exercises off the coast of Taiwan. In September 2022, the Biden administration announced a \$1.09 billion arms sale to Taiwan. And in February 2023, the U.S. Air Force neutralized several high-altitude balloons owned by the PRC that had entered U.S. and Canadian airspace and territorial waters. Rising political tensions could reduce levels of trade, investment, technological exchange and other economic activity between these two major economies, which could have a material adverse effect on global economic conditions and the stability of global financial markets. Any of these factors could have a material adverse effect on securities prices and the liquidity and value of the portfolio investments.

### *Discontinuation of LIBOR*

The publication of all LIBOR settings on a representative basis has now ceased, although certain United States Dollar (“USD”) and British Pound sterling settings will continue to be published for a limited period on the basis of a “synthetic” methodology. These synthetic settings are intended for use in certain legacy contracts only, not new use.

As of the date of publication of this brochure, the current nominated replacement for USD-LIBOR is the Secured Overnight Financing Rate (“SOFR”) and the nominated replacement for British pound sterling-LIBOR is the Sterling Overnight Interbank Average Rate (“SONIA”). With respect to so-called “tough legacy contracts,” which are contracts that did not provide for a clearly defined and practicable replacement benchmark rate, the U.S. enacted federal legislation that replaced USD-LIBOR references in certain U.S. law-governed contracts under certain circumstances with a SOFR-based rate plus a statutory spread adjustment. It is unknown whether SOFR and SONIA will maintain market acceptance as replacements for LIBOR and, because each of SOFR and SONIA differs from LIBOR, there is no assurance that SOFR or SONIA will perform in the same way as LIBOR would have performed at any time.

The transition away from LIBOR to one or more alternative benchmark rates is complex and could have a material adverse effect on the value of a Fund and its portfolio investments, including as a result of changes in the (i) business, financial condition and results of operations of such Fund and its portfolio investment, (ii) pricing and/or availability of investments and/or (iii) negotiations and/or changes to the documentation for such Fund and its portfolio investments and/or prospective portfolio investments, as well as the pace of such changes, disputes and other actions regarding the interpretation of current and prospective loan documentation, basis risks between investments and hedges, basis risks within investments (e.g., securitizations), costs of modifications to processes and systems, and/or costs of administrative services and operations, including monitoring of recommended conventions and benchmark rates and the market acceptance thereof, or any component of or adjustment to any of the foregoing.

### *Inflation*

Inflation risk is the risk that the value of certain investments or income thereon will be worth less in the future, as inflation decreases the value of money. As inflation increases, the real value of a Fund’s investments can decline. Deflation risk is the risk that prices decline over time – the opposite of inflation. Deflation could have an adverse effect on the creditworthiness of a Fund’s portfolio



companies and could make defaults more likely, which would result in a decline in the value of such Fund's investments.

Companies in which a Fund invests could be sensitive to general downward swings in the global economy, including periods of sustained elevated inflation. Inflation in the United States, Europe and other geographies has risen to levels not experienced in recent decades. It is difficult to determine whether these inflationary factors are transitory or should be expected to continue over the medium or long term. Inflation and rapid fluctuations in inflation rates have had and could continue to have very negative effects on the economies and securities markets (both public and private) of certain countries in which the investment opportunities could exist. There can be no assurance that high rates of inflation would not have a material adverse effect on a Fund's portfolio investments.

In addition, many world governments, as well as intergovernmental institutions, have undertaken and in some cases are still undertaking various and in some cases unprecedented forms of fiscal stimulus, including raising interest rate benchmarks that had been (in some cases, for extended periods) at historic lows. In particular, the Board of Governors of the U.S. Federal Reserve has raised certain benchmark interest rates multiple times in an effort to combat inflation, and it has indicated that it expects interest rates to continue to rise in 2024.

Rising interest rates create downward pressure on the value of certain investments made by a Fund. Further, the Funds could face, have faced, and could continue to face, as applicable, difficulty in realizing value from investments due to sustained declines in equity market values as a result of concerns regarding interest rates. Additionally, rising interest rates, coupled with periods of significant equity and credit market volatility, may potentially make it more difficult for TruArc to find attractive opportunities for a Fund to exit and realize value from its existing investments.

A Fund's portfolio companies also regularly utilize the corporate debt markets to obtain financing for their operations. To the extent monetary policy, tax or other regulatory changes or difficult credit markets render such financing difficult to obtain, more expensive or otherwise less attractive, this may also negatively impact the financial results of those portfolio companies and, therefore, the investment returns on such Fund. In addition, to the extent that market conditions and/or tax or other regulatory changes make it difficult or impossible to refinance debt that is maturing in the near term, some of a Fund's portfolio companies may be unable to repay such debt at maturity and may be forced to sell assets, undergo a recapitalization or seek bankruptcy protection.

It cannot be predicted with certainty when, or how, these policies will change, but actions by the U.S. Federal Reserve and other central bankers should be expected to have a significant effect on interest rates and on the U.S. and world economies generally, which in turn could affect the performance of a Fund's investments. Such stimuli, unless successfully managed and scaled back and wound down at the appropriate time and in the appropriate amounts, together with the passing of U.S. legislation calling for historically significant amounts of government spending, run a severe risk of being inflationary. In addition, there is significant concern in macroeconomic terms about the general levels of indebtedness carried by certain governments. While bringing with it a range of issues, one of the consequences of an extended period of a higher-than-desired level of inflation is often to erode in real terms the value of government debt in a manner that reduces the economic cost in real terms of their payment obligations on such debt. This element of debt erosion will create

an incentive for governments to be less robust in seeking to deal with inflation than might otherwise have been the case had the government concerned not suffered from a high level of indebtedness. If such inflation occurs, it would have the negative consequences for a Fund's investments set out above.

Further financial crises could result in additional governmental intervention in the markets, the nature and substance of which are difficult to predict. In addition, the consequences of the extensive changes to the regulation of various markets and market participants contemplated by the legislation and increased regulation arising out of the financial crisis are difficult to predict or measure with certainty.

#### *Geopolitical Risks and Force Majeure*

An unstable geopolitical climate, continued threats of terrorism, war or other similar events could have a material effect on general economic conditions, market conditions and market liquidity. Additionally, a serious pandemic (such as the COVID-19 pandemic, as described below), fire, flood, earthquake, adverse weather condition, natural disaster, "act of God" or other similar event could severely disrupt the global, national and/or regional economies. A resulting negative impact on economic fundamentals and consumer confidence could increase the risk of default of particular portfolio investments, negatively impact market value, increase market volatility and cause credit spreads to widen and reduce liquidity, all of which could have an adverse effect on a Fund's returns. Investors must be prepared to bear such risks and no assurance can be given as to the effect of these events on the value of or markets for portfolio investments. Some of these events are generally uninsurable and, in some cases, investment agreements can be terminated if the event is so catastrophic that it cannot be remedied within a reasonable time period.

#### *U.S. Debt Limit*

In January 2023, the outstanding debt of the United States reached its statutory limit and the United States Treasury Department commenced taking extraordinary measures to prevent the United States from defaulting on its obligations. If Congress does not raise the debt ceiling, the United States could default on its obligations, including Treasury securities that play an integral role in financial markets. A default by the United States could result in unprecedented market volatility and illiquidity, heightened operational risks relating to the clearance and settlement of transactions, margin and other disputes with clients and counterparties, an adverse impact to investors, downgrades in the United States credit rating, further increases in interest rates and borrowing costs and a recession in the United States or other economies. Even if the United States does not default, continued uncertainty relating to the debt ceiling could result in downgrades of the United States credit rating, which could adversely affect market conditions.

#### *Banking Counterparty Risk*

The U.S. financial services industry has recently entered into a new period of uncertainty following a number of regional bank closures and receiverships. The actual and potential consequences of these closures and receiverships include limited liquidity, defaults, nonperformance and other adverse developments among these financial institutions, giving rise to similar liquidity constraints and adverse developments among their transactional counterparties and customers. Concerns

generally about these institutions, counterparties and customers – actual or perceived – have led and may continue in the future to lead to market-wide liquidity problems.

Specifically, on March 8, 2023, Silvergate Capital Corporation announced its intent to wind down the operations of and voluntarily liquidate Silvergate Bank. On March 10, 2023, Silicon Valley Bank (“SVB”) was closed by the California Department of Financial Protection and Innovation, which appointed the U.S. Federal Deposit Insurance Corporation (“FDIC”) as receiver. On March 12, 2023, Signature Bank was also put into receivership. On March 16, 2023, a syndicate of 11 of the largest U.S. banks deposited approximately \$30 billion into First Republic Bank, which had also been experiencing liquidity constraints, due in part to a significant outflow of deposits. Although all depositors of SVB regained access to their deposits after only one business day of closure and depositors of Signature Bank generally maintained access to their deposits, including in each case funds held in uninsured deposit accounts, depositors of another financial institution that is placed into receivership may experience longer delays in accessing their funds and may suffer losses with respect to uninsured deposits. In addition, borrowers under credit agreements, letters of credit and certain other financial instruments of a financial institution that is placed into receivership by the FDIC may be unable to access or may be delayed in accessing undrawn amounts thereunder.

Accordingly, an investment into a Fund is subject to the risk that one or more banks, investment banks, brokers, hedging counterparties, lenders or other custodians of cash and other assets with whom the Fund (or one or more of its portfolio companies) does business (each, a “Financial Institution”) fail to perform their obligations or experience closure, receivership, bankruptcy or any other form of financial distress or difficulty, including insolvency (each, a “Distress Event”). Distress Events can be caused by a variety of factors, including eroding market sentiment, significant deposit withdrawals, fraud, malfeasance, poor performance or accounting irregularities. In the event a Financial Institution experiences a Distress Event, a Fund and/or its portfolio companies may not be able to access deposits, draw upon borrowing facilities or have access to other services for an extended period of time or ever. For example, if any of a Fund’s lenders were to be placed into receivership or bankruptcy, such Fund could be unable to access existing committed credit lines. In addition, if any of a Fund’s investors or other parties with whom such Fund conducts business are unable to access funds or credit lines with a Financial Institution, such parties’ ability to meet their obligations to such Fund or to enter into new arrangements requiring additional capital or payments to such Fund could be adversely affected. In this regard, counterparties to SVB credit agreements and arrangements, and third parties such as beneficiaries of letters of credit (among others), could experience direct impacts from the closure of SVB. Therefore, uncertainty remains over liquidity concerns in the broader financial services industry. Similar impacts have occurred in the past, such as during the 2008-2010 financial crisis.

Although deposits with an FDIC-insured bank are insured to applicable limits, which are generally \$250,000 per depositor and per ownership category, and securities and cash held by certain broker-dealers are insured by the Securities Investor Protection Corporation (“SIPC”), amounts in excess of the relevant insurance limit are subject to risk of loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose increased risk of loss. Although in recent years, governmental intervention has resulted in additional protections for depositors, there can be no assurance that governmental intervention will be attempted, and if it is, there can be no assurance that it will be successful or avoid the risk of loss, substantial delays or negative impact on banking or brokerage conditions or markets. It is also possible that there will be further involvement of

governmental and other regulatory authorities in financial markets in the United States and/or around the world. The economic circumstances described above could continue or worsen in the future, and changes in general economic conditions are likely to affect a Fund's activities, as well as those of its portfolio companies. For example, a Distress Event could have a potentially adverse effect on the ability of TruArc to manage a Fund and its investments, and on the ability of TruArc, such Fund and/or its portfolio companies to maintain operations, which in each case could result in significant losses and unconsummated investment acquisitions and dispositions. Such losses have the potential to include a Fund bearing additional fees and expenses in the event such Fund is not able to close a transaction (whether due to the inability to draw capital on a subscription facility provided by a Financial Institution experiencing a Distress Event, the inability or unwillingness of investors to make capital contributions or otherwise), as well as the inability of such Fund to acquire or dispose of investments at prices that such Fund's General Partner believes reflect the fair value of such investments and/or the inability of portfolio companies to fund working capital needs (e.g., payroll), fulfill obligations or maintain operations.

TruArc expects to exercise contractual remedies under the agreements with Financial Institutions in the event of a Distress Event; however, there can be no assurance that such remedies will be successful, permitted under applicable law or avoid losses or delays. In addition, many Financial Institutions require, as a condition to using their services or otherwise, that their customers maintain all or a set amount or percentage of their respective accounts or assets with the Financial Institution, which heightens the risks associated with a Distress Event with respect to such Financial Institutions. Although TruArc seeks to do business with Financial Institutions that it believes are creditworthy and capable of fulfilling their respective obligations to the Funds and their portfolio companies, TruArc is under no obligation to use a minimum number of Financial Institutions with respect to a Fund (and/or its portfolio companies), or to maintain account balances at or below the relevant insured amounts.

#### *U.S. Regulation of the Private Funds and Financial Services Industries*

The growth of the private funds industry, and the increasing size and reach of transactions, as well as the increased attention to private funds, has prompted governmental and public attention to the private funds industry and its practices over the past 15 years. In particular, on July 21, 2010, former U.S. President Obama signed into law the Dodd-Frank Act. This comprehensive reform of the United States' financial regulatory system, among other things, requires registration with the SEC of advisers to private funds whose assets under management exceed \$150 million (with certain limited exceptions) and imposes reporting and recordkeeping obligations with respect to the private funds they advise. Included in the Dodd-Frank Act is Section 619 (the "Volcker Rule"), which takes the form of Section 13 of the U.S. Bank Holding Company Act of 1956, as amended, or any successor statute thereto, and Section 27B of the Securities Act, which among other matters, imposes a number of restrictions on the relationship and activities of banking entities with respect to private equity and hedge funds and other provisions that affect the private funds industry, either directly or indirectly.

In addition, as alternative asset managers have become influential participants in the U.S. and global financial markets and economy generally, the private funds industry has been subject to criticism by some politicians, regulators and market commentators. In Germany, for example, U.S. and U.K. private equity firms are perceived by some as having been responsible for certain high profile

bankruptcies as well as high levels of domestic unemployment. There have been similar concerns expressed in other European countries. Various federal, state and local agencies have examined the role of placement agents, finders and other similar private funds service providers in the context of investments by public pension plans and other similar entities, including investigations and requests for information. Furthermore, elements of organized labor and other representatives of labor unions have targeted private equity firms on a variety of matters of interest to organized labor, including with respect to affording favorable treatment or significant deference to organized labor and labor unions in dealings with portfolio companies. There can be no assurance that the foregoing will not have an adverse impact on a Fund, its General Partner, the Management Company, TruArc personnel or other General Partner affiliates, or otherwise impede such Fund's activities.

This increased political and regulatory scrutiny of the private funds industry was particularly acute during the global financial crisis. For example, in addition to the U.S. and European legislation described above, other jurisdictions proposed modernizing financial regulations that called for, among other things, increased regulation of and disclosure with respect to, and possibly registration of, hedge funds and private equity funds. There is a risk that regulatory agencies in the United States, Europe or elsewhere could continue to adopt burdensome laws (including tax laws) or regulations, or could implement changes in law or regulation, or could pursue interpretation or the enforcement thereof, which are specifically targeted at the private funds industry.

With respect to interpretation and enforcement in the United States, the SEC stated publicly in recent years that its Division of Examinations (formerly known as the Office of Compliance Inspections and Examinations) intensified efforts to examine private fund advisers, with a focus on issues of concern identified in the course of presence exams of newly registered advisers that occurred shortly after the enactment of the Dodd-Frank Act. Such issues included, among others, the disclosure and allocation of fees, costs and expenses; marketing practices; portfolio management; conflicts of interest; safety of client assets; and valuation. Consistent with such efforts, the SEC dramatically increased its pursuit of enforcement actions against private fund managers. Such actions alleged a variety of conduct, including undisclosed or unapproved related-party and affiliate transactions, as well as undisclosed fees, costs and expenses and other undisclosed conflicts of interest. Industry observers generally agree that the enforcement trend is likely to continue.

There can be no assurance that a Fund, its General Partner, the Management Company, TruArc personnel or any other General Partner affiliates will avoid regulatory examination and possibly enforcement actions. Recent SEC enforcement actions and settlements involving U.S.-based private fund advisers have involved a number of issues, including undisclosed fee-sharing arrangements with co-investors; the undisclosed disproportionate allocations of fees, costs and expenses to managed funds for services that benefited the applicable adviser but without cost to the adviser; the undisclosed allocation of transaction fees to co-investors to reduce the magnitude of management fee offsets; engagement in unregistered broker-dealer activities; the undisclosed allocation of the fees, costs and expenses related to unconsummated co-investment transactions (i.e., the allocation of broken deal expenses); undisclosed legal fee arrangements affording the applicable adviser with greater discounts than those afforded to funds advised by such adviser; the undisclosed acceleration of monitoring fees; and undisclosed conflicts relating to determinations of permanent impairment. Although the Management Company believes that the foregoing practices were or have been common historically among private fund advisers within the U.S. private funds industry, if the SEC or any other governmental authority, regulatory agency or similar body takes issue with the practices

of a Fund, its General Partner, the Management Company, TruArc personnel or any other General Partner affiliates as they pertain to any of the foregoing or any other activities, such Fund, its General Partner, the Management Company, TruArc personnel or any other such General Partner affiliates will be at risk for regulatory sanction. Even if an investigation or proceeding did not result in a sanction or the sanction imposed against the Management Company was small in monetary amount, a Fund, its General Partner, the Management Company, TruArc personnel or any other General Partner affiliates could be subject to adverse publicity relating to the investigation, proceeding or imposition of any such sanction.

On August 23, 2023, the SEC adopted a number of new rules and amendments to existing rules under the Advisers Act (the “Private Funds Rules”), including new requirements related to quarterly statements, financial statement audits, restricted activities and the preferential treatment of certain investors. Specifically, the Private Funds Rules include (i) a requirement for detailed quarterly disclosure to investors of private fund performance, fees and expenses (including disclosure of the compensation paid to the investment adviser and its affiliates) and additional portfolio investment-level disclosure, (ii) limitations and conditions on the ability of advisers to charge certain types of fees and expenses to private funds (including reductions to carried interest clawbacks for taxes and fees and expenses related to investigations that result in sanctions under the Advisers Act), (iii) a prohibition on the allocation of fees or expenses related to a portfolio investment on a non-*pro rata* basis among multiple private funds invested in the same portfolio investment unless the allocation is fair and equitable and the adviser provides a prior written notice of the non-*pro rata* allocation and a description of how such allocation is fair and equitable, (iv) subject to certain limited exceptions, limitations on an adviser’s ability to grant certain types of preferential terms regarding redemption or information about portfolio holdings or exposures to only certain investors (e.g., through side letters), (v) a requirement to provide written notice to current and prospective investors of certain preferential terms granted to only certain investors in the same fund and (vi) a requirement for the advisor to document an annual compliance review.

Furthermore, on May 3, 2023, the SEC also approved amendments to Form PF (the “Form PF Amendments”) which, among other things, require advisers to private equity funds to gather and report more information regarding fund strategies, use of leverage, fund investments in different levels of a single portfolio company’s capital structure, and portfolio company restructurings or recapitalizations. The Form PF Amendments also require that advisers report certain events to the SEC within 72 hours of their occurrence. A separate cybersecurity rule (the “Cybersecurity Rules” and, together with the Private Fund Rules and the Form PF Amendments, the “Adopted Rules”) was adopted on July 26, 2023 and requires advisers to disclose their processes for assessing, identifying, and managing material risks from cybersecurity threats, to promptly report significant cybersecurity incidents to the SEC, and to provide enhanced disclosure of cybersecurity risks and incidents to investors.

The SEC has also proposed amendments to rules and disclosure forms (the “Proposed ESG Rules and Forms”) to increase disclosure obligations regarding certain funds’ and advisers’ incorporation of environmental, social and governance factors in their investment process and a new oversight rule and rule amendments under the Advisers Act (the “Proposed Outsourcing Rules”) that would prohibit registered investment advisers from outsourcing certain services and functions without conducting due diligence and monitoring of the service providers. Finally, the SEC has also proposed new rules and amendments to Rule 206(4)-2 under the Advisers Act (the “Proposed

Custody Rule Changes” and, together with the Proposed ESG Rules and Forms and the Proposed Outsourcing Rules, the “Proposed Rules”), which would expand the current custody rule to cover a broader array of client assets and advisory activities and impose new custodial protections on client assets held under the Advisers Act.

The final versions of the Proposed Rules could (but are not expected to) differ significantly from the Proposed Rules.

There can be no guarantee as to the enforcement in practice of the Adopted Rules or as to the content of the final versions of the Proposed Rules. In particular, certain trade associations have filed suit challenging the Private Funds Rules, and the outcome of that litigation and its effect on enforcement is uncertain. The Adopted Rules, and if adopted as proposed, the Proposed Rules, are expected to increase the cost of operating the Funds (including those costs ultimately allocated to the Funds) and the time and resources that the General Partners, the Management Company and TruArc personnel will be required to devote to reporting and compliance matters. The effect of the Adopted Rules and the Proposed Rules on the Funds, the General Partners, the Management Company, TruArc personnel or any of their respective affiliates could be substantial and adverse.

In summary, regulation generally as well as regulation more specifically addressed to the private funds industry, including tax laws and regulation, whether in the United States or abroad, could increase the cost of acquiring, holding or divesting the Funds’ portfolio investments in portfolio companies, the profitability of such enterprises and the cost of operating the Funds. Additional regulation could also increase the risk of third-party litigation. The transactional nature of the business of the Funds exposes the Funds, the General Partners, the Management Company, TruArc personnel or any other General Partner affiliates generally to the risks of third-party litigation.

### *Cybersecurity Risk*

Cybersecurity incidents, cyberattacks and other breaches have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency and severity in the future. Cybersecurity risks for investment funds have increased significantly in recent years because of, among other things: the proliferation of the internet and telecommunications technologies to conduct financial transactions; the increased dependence of portfolio companies on internet-connected technologies that are susceptible to disruption from cybersecurity threats; the ability and degree to which investment managers collect and maintain confidential, proprietary, sensitive, personal and other nonpublic information and data, including publicly available data that may be organized in a manner that is not publicly available; and the increased sophistication and activities of organized crime, hackers, terrorists and other external parties, including foreign state and state-supported actors. Accordingly, despite the efforts of the Management Company and service providers to adopt technologies, processes, practices and various other measures intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Funds and their investors, the Funds, the General Partners, the Management Company and the portfolio companies will face cybersecurity threats to gain unauthorized access to confidential, proprietary, sensitive, personal and other nonpublic information and data and systems, including, without limitation, information regarding the limited partners and the Funds’ investment activities,

or to render data or systems unusable, which could result in significant losses. The use of internet- or cloud-based programs, technologies and data storage applications generally heightens these risks.

If such events materialize, they could lead to losses of confidential, proprietary, sensitive, personal and other nonpublic information and data or capabilities essential to the Funds', the General Partners', the Management Company's and the portfolio companies' operations and could have a material adverse effect on their reputations, financial positions, results of operations or cash flows, and could lead to financial losses from remedial actions, loss of business, regulatory penalties or investigations, legal claims, reputational damage or potential liability, or the disclosure of the investors' personal information. Additionally, the Management Company, the Funds or the portfolio companies may have to make a significant investment to fix or replace any inoperable or compromised systems or to modify or enhance their cybersecurity controls, procedures or measures. Similarly, the public perception that a Fund, its General Partner, the Management Company or the portfolio companies have been the target of a cybersecurity threat, whether successful or not, could have a material adverse effect on their reputations and could lead to financial losses from loss of business, depending on the nature and severity of the threat.

Cybersecurity attacks are evolving and could be difficult to detect for long periods of time, and could include, but are not limited to, computer viruses, malicious or destructive code, phishing attacks, ransomware, social engineering, denial of service or information, attempts to gain unauthorized access to data, improper access by employees or Service Providers or other electronic security breaches or other similar events, including those perpetrated by criminals or nation state actors, that could, among other things, lead to: disruptions in critical systems network access or business operations; unauthorized collection, monitoring, use or release of confidential, proprietary, sensitive, personal or other nonpublic or otherwise protected information and data, including personal information relating to the investors (and the beneficial owners of such investors); or obstruction, deletion, loss, destruction or corruption of information or data. Third parties, including activist, criminal, nation-state or terrorist actors, could also, among other things, attempt fraudulently to induce a portfolio company or its personnel to disclose sensitive information (including passwords) in order to gain access to information, data, accounts, funds or other assets, or otherwise to inflict harm. Furthermore, the Management Company and the portfolio companies could be vulnerable to actual or perceived usage errors by their respective professionals, network failures, computer and telecommunication failures, and power outages caused by catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. The Management Company's or a portfolio company's controls and procedures, business continuity systems, and data security systems could prove to be inadequate. These problems could arise in both the Management Company's or a portfolio company's internally developed systems and the systems of third-party Service Providers, upon which the Management Company or a portfolio company rely, which systems may be inadequate to prevent, detect or recover from a cybersecurity attack. If a Service Provider fails to adopt or adhere to adequate cybersecurity procedures, or if despite such procedures its networks or systems are breached, information relating to client transactions or personal information of the investors (and the beneficial owners of such investors) may be lost or improperly accessed, used or disclosed. Given the variety and potential severity of cybersecurity threats, the Funds, the General Partners, the Management Company, the portfolio companies and the third-party Service Providers upon which they rely may not have adequate insurance coverage to compensate against all losses.



### *Environmental Hazards; Hazardous Materials*

Under international, federal, state or local environmental laws and regulations, owners, operators, tenants and lessees of property could be liable for the cleanup and removal of hazardous substances, regardless of fault. Even where the present owner, operator, tenant or lessee was not responsible for placing the hazardous substances on the property or where the property was contaminated prior to the time the owner took title or the entity began operations, such person could be held strictly and retroactively liable for all related liabilities and costs. If any property acquired, operated or leased by a portfolio investment was found to have an environmental problem, the portfolio investment could incur substantial costs and a Fund could suffer a complete loss of its investment in such portfolio investment. In addition, a portfolio investment could have historically or currently used or otherwise incorporated hazardous materials in their products. Such activities could subject such portfolio investment to product liability claims, which could result in substantial costs.

### *Valuation and Changing Accounting Standards*

The valuation of the assets of a Fund will affect such Fund's reported performance. A Fund's portfolio investments generally will have no, or a limited, liquid market, and the fair value of such portfolio investments is unlikely to be readily determinable. Moreover, neither a Fund nor its General Partner expects to employ a third-party valuation firm or pricing service in the valuation of such Fund's portfolio investments for financial reporting purposes. There is no assurance that the value assigned to a portfolio investment for any purpose at any given time will accurately reflect the fair value as of the valuation date or the value that will be realized by a Fund upon the eventual disposition of such portfolio investment, as actual realized returns will depend on, among other factors, future operating results of portfolio investments, pace of deployment, the value of the portfolio investments and economic market conditions at the time of disposition, legal and contractual restrictions, any related transaction costs, and the timing and manner of sale, all of which could differ from the assumptions and circumstances on which such valuations and any related assumptions were originally based. Moreover, the performance of a Fund could be adversely affected if such valuation determinations for any portfolio investment are materially higher than the value ultimately realized upon the disposition of such portfolio investment.

Valuations will be based to a large extent on a General Partner's estimates, comparisons and qualitative evaluations of private information, which can be unavailable, incomplete or inaccurate. It is possible that investors therefore will not be able to replicate a General Partner's methodology or to value accurately a Fund's portfolio investments. The amount of assumptions, judgment and discretion inherent in valuing illiquid assets such as a Fund's portfolio investments renders valuations uncertain and susceptible to material fluctuations over possibly short periods of time.

For purposes of financial reporting that is compliant with U.S. generally accepted accounting principles ("GAAP"), each Fund will follow the requirements for valuation set forth in Accounting Standards Codification 820 ("ASC 820"), "Fair Value Measurements and Disclosures" (formerly, Financial Accounting Standards No. 157, "Fair Value Measurements"), which defines and establishes a framework for measuring fair value under GAAP and expands financial statement disclosure requirements relating to fair value measurements. Additional Financial Accounting Standards Board ("FASB") Statements and guidance and additional provisions of GAAP that could be adopted in the future could also impose additional, or different, specific requirements as to the

valuation of assets and liabilities for purposes of GAAP-compliant financial reporting. Except as described below, each General Partner and the Management Company will apply ASC 820 and other relevant FASB statements and guidance to the valuation of each Fund's assets and liabilities.

ASC 820 and other accounting rules applicable to investment funds and various assets in which they invest are also subject to change. Such changes could adversely affect a Fund. For example, changes in the rules governing the determination of the fair value of assets to the extent such rules become more stringent would tend to increase the cost and/or reduce the availability of third-party determinations of fair value. This could in turn increase the costs associated with selling assets or affect their liquidity due to inability to obtain a third-party determination of fair value.

### *Outbreaks of Infectious or Contagious Diseases*

Pandemics and other widespread public health emergencies have and are resulting in market volatility and disruption, and future emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which could result in significant losses to a Fund.

In 2019, an outbreak of a novel and highly contagious form of coronavirus ("COVID-19") occurred and it subsequently spread globally. The COVID-19 pandemic led to disruption in national, regional and local markets and economies affected thereby, including the United States. The restrictive measures taken to contain or mitigate its spread, including instituting local and regional quarantines, restricting travel (including closing certain international borders), prohibiting public activity (including "stay-at-home" and similar orders), and ordering the closure of large numbers of offices, businesses, schools and other public venues, significantly diminished global economic production and activity of all kinds and contributed to both volatility and a severe decline in all financial markets.

Although the World Health Organization declared on May 5, 2023 that COVID-19 was no longer a public health emergency of international concern, it reaffirmed that the global risk assessment remains high. Any resurgence of COVID-19 through a new variant, or the emergence of any other new pandemic, could have a significant adverse impact and result in significant losses to a Fund or one or more of its portfolio companies. The extent of the impact on a Fund and its portfolio companies' operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted. In addition, the operations of a Fund and its portfolio companies generally could be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, restrictions on travel and movement, remote-working requirements and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity's personnel. These measures could also hinder such entities' ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

In summary, the impact of a health crisis such as the COVID-19 pandemic, and other epidemics and pandemics that could arise in the future, could affect the global economy in ways that cannot necessarily be foreseen at the present time. A health crisis could exacerbate other preexisting

political, social and economic risks, and the extent of the impact would depend on many factors, including the ultimate duration and scope of the public health emergency and the restrictive countermeasures being undertaken, as well as the effectiveness of other governmental, legislative and financial and monetary policy interventions designed to mitigate the crisis and address its negative externalities. Any such impact could adversely affect a Fund's performance, resulting in losses to investors.

#### *TruArc Personnel and Management Team*

The General Partners, the Management Company, the Principals, the other TruArc personnel and other related parties will have conflicts of interest in allocating their time and services among TruArc's various business activities (including, for this purpose, Snow Phipps' various business activities). For example, all or substantially all of the TruArc personnel currently work and will continue to work on other projects, including existing and future Other Client Vehicles (including, for this purpose, Fund I, Fund II, and Fund III (and Fund IV, with respect to SOF)), the investments of such funds and TruArc's (and certain of Snow Phipps') other existing and potential business activities. In addition, such personnel will participate in the management of the investment activities of such Other Client Vehicles concurrently with their obligations to the General Partners, the Management Company and/or the Funds. None of the investors will have an interest in investments made by such Other Client Vehicles solely by reason of their investment in a Fund. It is possible that the investments held by such Other Client Vehicles could be in competition with or otherwise conflict with those of a Fund.

Conflicts of interest will also arise when TruArc personnel serve as directors of, or in similar governance roles for, any of the portfolio companies. In those instances where a Fund is not the sole shareholder of the applicable portfolio company, in addition to any duties such persons owe to such Fund, if any, as directors of or in similar governance roles for portfolio companies, such persons should be expected to owe fiduciary duties to the other shareholders of such portfolio companies, which could be Other Client Vehicles, and to persons other than such Fund and Other Client Vehicles. In general, such positions are often important to a Fund and such Other Client Vehicle's investment strategy and could have the effect of enhancing the ability of the Management Company or other related parties to manage investments. However, such positions could also have the effect of impairing the ability of the Management Company or other related parties to cause such Fund and such Other Client Vehicles to sell the related securities when, and upon the terms, it otherwise desires. In addition, such positions could place TruArc personnel in a position where they must make a decision that is either not in the best interest of a Fund or not in the best interest of the other shareholders of the portfolio company – for example, in situations involving bankruptcy or the near-insolvency of a portfolio company, actions that may be in the best interest of the portfolio company may not be in the best interest of the relevant Fund, and *vice versa*. Should such personnel make a decision that is not in the best interest of the other shareholders of a portfolio company, such decision could subject the Management Company, other related parties and the relevant Fund to claims that they would not otherwise be subject to as an investor, including claims of breach of the duty of loyalty, securities claims and other director-related claims. In addition, because of potential conflicting duties, the Management Company could be restricted in choosing portfolio investments, which could negatively impact returns received by a Fund.

TruArc professionals generally participate indirectly in investments made by the Funds. While the Management Company believes this helps align the interests of TruArc professionals with those of the Funds' other investors and provides a strong incentive to enhance Fund performance, these arrangements also give rise to potential conflicts of interest. For example, an individual TruArc professional could have a greater economic investment in, or carried interest entitlement with respect to, one Fund investment as compared to another. As a result, such TruArc professional could have an incentive to focus on creating value in the investments in which they have the greatest economic interest, even if it would be in a Fund's interest for such professional to prioritize other investments that would be more significant drivers of overall Fund returns.

#### *No Assurance of Investment Return*

Neither a General Partner nor the Management Company can provide assurance that it will be able to identify, choose, make and realize investments in any particular company or portfolio of companies. There is no assurance that a Fund will be able to generate returns for its investors or that returns will be commensurate with the risks of investing in the type of companies and transactions described herein. There will be little or no near-term cash flow available to the investors from a Fund, and there can be no assurance that any proceeds, or any particular source of proceeds (including, without limitation, any proceeds from dividends or interest payments), for distributions by a Fund to the investors will materialize or that such Fund will make any distribution to the investors. Partial or complete sales, transfers or other dispositions of investments which result in a return of capital or the realization of gains, if any, are generally not expected to occur for a number of years after an investment is made. Furthermore, the risks of a Fund's investments are not limited to the initial size of invested capital. For example, to the extent that a portfolio investment gives rise to litigation, such investment could ultimately lead to a net loss, once nonpayment and litigation costs are taken into account. An investment in a Fund should only be considered by prospective investors who can afford a loss of their entire investment. There can be no assurance that projected or target returns, if any, for a Fund will be achieved.

#### *Risk of Team Integration*

Mr. Gassman recently joined TruArc as a member of the SOF Investment Team. Although TruArc believes that all members of the SOF Investment Team, including Mr. Gassman, possess business values and exhibit cultural attributes that should enhance and streamline integration into the broader TruArc organization, there can be no assurance that such integration will be successful, that disagreements will not arise, or that the affiliation of the Management Company with TruArc's flagship private equity business will not conflict with or otherwise adversely affect the ability of SOF and the SOF Investment Team to achieve their investment objectives.

#### *Operational Risk*

Each Fund depends on the Management Company and its other Service Providers to develop appropriate systems and procedures to control operational risk. Operational risk arising from mistakes made in the confirmation or settlement of transactions, from transactions not being

properly booked, evaluated or accounted for or other similar disruptions in such Fund's operations could cause such Fund to suffer financial loss, the disruption of its business, liability to clients or third parties, regulatory intervention or reputational damage. Each Fund will be highly dependent on its ability to process transactions across numerous and diverse markets. Consequently, each Fund will rely heavily on its service providers that provide financial, accounting and other data processing systems. The ability of these systems to accommodate an increasing volume of transactions could also constrain a Fund's abilities to properly manage its portfolio.

#### *Reliance on the General Partners, the Management Company and the Principals*

Decisions made with respect to the management of a Fund will be made by its General Partner and the Management Company. The respective General Partner and the Management Company will have exclusive responsibility for each Fund's activities and, other than as set forth in the relevant Partnership Agreements, investors will not be able to make investment or other decisions with respect to the management of each Fund. The success of each Fund will depend on the ability and expertise of the respective General Partner and the Management Company to identify and consummate suitable investments, to improve the operating performance of portfolio investments and to dispose of the portfolio investments of such Fund at a profit. There can be no assurance that each of the Principals will continue to be associated with the relevant General Partner or the Management Company throughout the life of each Fund. The loss of the services of one or more of the Principals could have a material adverse effect on a Fund's ability to realize its investment objectives. Furthermore, the Management Company believes that the Principals have considerable expertise in the buyout sector, but there is no means of predicting whether they will successfully implement Fund IV's investment strategy, especially during changing economic conditions. Competition in the financial services industry for qualified investment professionals and other personnel is intense, and there is no guarantee that the talents of the Principals could be replaced. The success of a Fund depends on the Management Company's ability to identify and willingness to provide acceptable compensation arrangements to attract, retain and motivate talented investment professionals and other personnel. The costs associated with negotiations over any such compensation arrangements with professionals and other personnel for services to be provided to the Management Company specifically for a Fund will be borne by such Fund as organizational expenses. Such compensation arrangements could provide that a Principal or other TruArc personnel will, in certain circumstances after the individual is no longer employed or retained by a General Partner or the Management Company, be granted a continuing interest in respect of particular portfolio investments.

#### *No Right to Control a Fund's Operations*

Investors will generally have no opportunity to control the operations of a Fund, including, without limitation, its investment and disposition decisions and decisions regarding the selection of service providers and the operation of the portfolio investments. The investors will also have no opportunity to evaluate any economic, financial, and other information that will be utilized by the Management Company in its selection of portfolio investments. In addition, to the extent that an investor is not represented on the limited partner advisory committee, such investor will have no influence over matters submitted to the limited partner advisory committee for review or approval.

#### *Control Position; Board Participation and Managerial Assistance*

For Fund IV (and its successor funds), the General Partner intends to seek certain investment opportunities that allow Fund IV (and its successor funds) to either acquire control or exercise influence over the management, operation and strategic direction of certain portfolio investments in which it invests. While SOF does not expect to make controlling investments in portfolio companies, the SOF General Partner expects that a portion of the SOF's portfolio will consist of investments where one or more TruArc PE Funds has or have the right to appoint a majority of the members of the board of directors (or other similar governing body) (a "TruArc PE Sponsored Investment").

Each of the Principals and other TruArc personnel are expected to sit (as a director or observer) on the board of directors (or similar governing body) of more than one portfolio company and/or on the board of directors (or similar governing body) of one or more portfolio companies of Other Client Vehicles. Moreover, in its efforts to avoid having the assets of a Fund constitute "plan assets" of any plan subject to Title I of ERISA or Section 4975 of the Code, such Fund's General Partner could, in this regard, elect to operate one or more parallel investment vehicles as a VCOC (defined below). Operating as a VCOC would require that the relevant parallel investment vehicle obtain rights to participate substantially in or influence the conduct of the management of a number of portfolio companies that represent a majority of the parallel investment vehicle's investment.

The designation of directors or similar persons, and the exercise of control and/or significant influence over a portfolio investment generally, could expose the assets of a Fund and its parallel investment vehicles to claims by a portfolio investment, its security holders, its creditors and its regulators. The exercise of control and/or significant influence over a company imposes additional risks of liability for regulatory noncompliance, environmental damage, product defects, pension liabilities, failure to supervise management, violation of government regulations and other types of liability in which the limited liability generally characteristic of business operations could be ignored. If these liabilities were to occur, then a Fund could suffer significant losses in its investments. While each of the General Partners intends to manage the relevant Fund in a way that will minimize exposure to these risks, the possibility of successful claims cannot be precluded. Furthermore, in certain circumstances, a General Partner could allocate certain control or management rights in investments disproportionately among the relevant Fund, its parallel investment vehicles and other client vehicles, in light of legal, tax, regulatory and other considerations.

Although such board positions in certain circumstances will be important to Fund IV's and/or certain other client vehicles' investment strategy and are intended to enhance the Fund IV General Partner's and the Management Company's ability to manage the portfolio investments, they could also have the effect of impairing the Fund IV General Partner's ability to sell the related securities when, and upon the terms it otherwise desires, and could subject the Fund IV General Partner, the Management Company, Fund IV and others to claims they would not otherwise be subject to as an investor, including claims of breach of fiduciary duties, violations of securities laws and other director related claims. In general, the indemnified parties (including each General Partner and the Management Company) will be entitled to indemnification by the respective Funds for such claims, subject to limited exceptions.

### *Financial Leverage*

Each Fund expects that certain of its portfolio investments will maintain financial leverage, and each Fund could lever a portfolio investment in order to achieve this goal. Such leverage could be substantial. Utilization of leverage will result in fees, costs and expenses, including interest expense, to a Fund or its portfolio investments. If the portfolio investment is unable to refinance in order to maintain the desired amount of financial leverage, a Fund could realize lower than expected returns from the relevant portfolio investment and hold a larger than expected investment therein. The leveraged capital structure of such portfolio investments could significantly increase their exposure to adverse economic factors, such as rising interest rates, downturns in the economy or deterioration in the condition of such portfolio investments or their respective industries. Furthermore, leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and could impair its ability to finance future operations and capital needs or to pay principal and interest on a Fund's portfolio investments when due. If a portfolio investment cannot generate adequate cash flow to meet debt obligations, for example, a Fund could suffer a partial or total loss of capital invested in the portfolio investment. In addition, there can be no guarantee that debt facilities will be available at commercially attractive rates throughout the life of a Fund or when due for refinancing such that the applicable portfolio investment will be exposed to less favorable terms or rates upon a refinancing, or that any facilities negotiated will be fully utilized.

Each Fund's assets, including any portfolio investments made by such Fund and any capital held by such Fund, will be available to satisfy all liabilities and other obligations of such Fund. If a Fund or a portfolio investment defaults on secured indebtedness, for example, the lender could foreclose and such Fund could lose its entire investment in the security for such loan. If a Fund itself becomes subject to a liability, parties seeking to have the liability satisfied could have recourse to such Fund's assets generally, and they would therefore not be limited to any particular asset, such as the portfolio investment giving rise to the liability.

#### *Investments in Restructurings or Underperforming Companies*

Each Fund could make portfolio investments that are experiencing or are expected to experience financial difficulties, from which such companies never recover. Such portfolio investments could, in certain circumstances, subject a Fund to additional potential liabilities, which could exceed the value of such Fund's original investment therein. Such portfolio investments of a Fund could also be subject to U.S. federal bankruptcy law and U.S. state fraudulent transfer laws, which vary from state to state, if the securities relating to such portfolio investments were issued with the intent of hindering, delaying or defrauding creditors or, in certain circumstances, if the issuer receives less than reasonably equivalent value or fair consideration in return for issuing such securities. If such portfolio investments constitute debt and such debt is used for a buyout of shareholders, this risk is greater than if the debt proceeds are used for day-to-day operations or organic growth. If a court were to find that the issuance of the securities was a fraudulent transfer or conveyance, the court could void the payment obligations under the securities, further subordinate the securities to other existing and future indebtedness of the issuer or require a Fund to repay any amounts received by it with respect to the securities. In the event of a finding that a fraudulent transfer or conveyance occurred, such Fund would be unlikely to receive any repayment on the securities.

Under the Bankruptcy Code, a lender that has inappropriately exercised control of the management and policies of a company could have its claims against the company subordinated or disallowed or could be found liable for damages suffered by parties as a result of such actions. In addition, under

certain circumstances, payments to a Fund and distributions by a Fund to the investors could be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment. Such debt could also be disallowed or subordinated to the claims of other creditors if a Fund is found to have engaged in other inequitable conduct resulting in harm to other parties. A Fund's investment could be treated as equity if it is deemed to be a contribution to capital, or if a Fund attempts to control the outcome of the business affairs of a company prior to its filing under the Bankruptcy Code. While each Fund will attempt to avoid taking the types of action that would lead to such liability, there can be no assurance that such claims will not be asserted or that such Fund will be able successfully to defend against them.

### *Illiquid and Long-Term Investments*

Although a portfolio investment could occasionally generate current income, the return of capital and the realization of gains, if any, from a portfolio investment will generally occur only upon the partial or complete disposition or refinancing of such portfolio investment. While portfolio investments can be sold at any time, it is generally expected that the disposition of most of a Fund's portfolio investments will not occur for a number of years after such portfolio investments are made. It is unlikely that there will be a public market for the securities held by a Fund at the time of their acquisition, and such securities could require a substantial length of time to liquidate. A Fund generally will not be able to sell the securities it holds of any portfolio investment publicly unless their sale is registered under applicable securities laws or unless an exemption from such registration requirements is available. In addition, in some cases a Fund could be prohibited or limited by contract from selling certain securities held by it for a period of time, and as a result, will not be permitted to sell a portfolio investment at a time it might otherwise desire to do so. In light of the foregoing, it is likely that no significant return from the disposition of a Fund's portfolio investments will occur for a substantial period of time from the effective date of such Fund.

### *Valuation of Illiquid Assets*

The process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties, and the resulting values are likely to differ from values that would have been determined had a ready market existed for such securities and are likely to differ from the prices at which such securities are ultimately sold. Third-party pricing information could at times not be available regarding certain of a Fund's assets. Moreover, because each General Partner will determine the value of such assets, each such General Partner will have an obvious conflict of interest in making that determination, given the potential impact of such valuations on the management fee and the relevant Fund's performance results.

### *Nature of Structured Securities*

Although secured or unsecured debt securities, senior or preferred equity securities or other similar instruments are typically senior to common stock or other equity securities, the secured or unsecured debt securities, senior or preferred equity securities or other similar instruments in which the SOF will invest will generally be unsecured and subordinated to substantial amounts of senior debt, all or a significant portion of which could be secured. In addition, these securities are unlikely to be protected by all of the financial covenants, such as limitations upon additional indebtedness, typically protecting such senior debt. Holders of subordinated debt generally are not entitled to



receive any payments in bankruptcy or liquidation until senior creditors are paid in full. Holders of senior equity and junior debt securities are not entitled to payments until all creditors are paid. In addition, the remedies available to holders of subordinated debt are normally limited by restrictions benefitting senior creditors. In the event any portfolio company cannot generate adequate cash flow to meet senior debt service, SOF could suffer a partial or total loss of capital invested.

### *Preferred Securities*

SOF expects to invest in preferred securities that are rated in the lower rating categories by various credit rating agencies or, more commonly, in comparable nonrated securities. Securities in the lower rating categories and comparable nonrated securities are subject to greater risk of loss of principal and interest than higher rated and comparable nonrated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings and comparable nonrated securities in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower rated and comparable nonrated securities, the yields and prices of such securities are likely more volatile than those for higher rated and comparable nonrated securities. The market for lower rated and comparable nonrated securities is thinner, often less liquid and less active than that for higher rated and comparable nonrated securities, which can adversely affect the prices at which these securities can be sold and could even make it impracticable to sell such securities.

### *Equity Securities*

Among other investments, each Fund expects to invest in common and preferred stock and other equity securities, including both public and private equity securities. Equity securities generally involve a high degree of risk and will be subordinate to the debt securities and other indebtedness of the issuers of such equity securities. Prices of equity securities generally fluctuate more than prices of debt securities and are more likely to be affected by poor economic or market conditions. In some cases, the issuers of such equity securities could be highly leveraged or subject to other risks such as limited product lines, markets or financial resources. In addition, actual and perceived accounting irregularities can cause dramatic price declines in the equity securities of companies reporting such irregularities or that are rumored to be subject to accounting regularities. A Fund could experience a substantial or complete loss on individual equity securities.

### *Debt Investments*

To the extent a Fund acquires debt investments, debt investments could be unsecured and structurally or contractually subordinated to substantial amounts of senior indebtedness, all or a significant portion of which could be secured and bearing floating interest rates. Moreover, such debt investments may not be protected by financial covenants or limitations upon additional indebtedness, and there is no minimum credit rating for debt investments. Other factors could materially and adversely affect the market price and yield of such debt investments, including investor demand, changes in the financial condition of the applicable issuer, government fiscal policy and domestic or worldwide economic conditions. Debt investments will also entail normal credit risks (i.e., the risk of nonpayment of interest and principal). Moreover, a debt investment bearing "paid-in-kind" interest will generally have a higher risk of nonpayment of interest since

there will be no cash payments of interest from the borrower prior to maturity or refinancing. In addition, a debt investment could be subject to repayment or redemption at the option of the issuer. If a debt investment held by a Fund is called for repayment or redemption, such Fund will be required to permit the issuer to redeem such investment, which could have an adverse effect on such Fund's ability to achieve its investment objective.

#### *Credit Risks of Investments in Debt Investments*

Any debt investments of a Fund in a portfolio company are likely to be subject to credit risk, which is the likelihood that a company will default in the payment of principal and/or interest on its debt obligations, among other covenants and requirements. Financial strength and solvency of a company are key factors influencing credit risk. Portfolio companies are also likely to face intense competition, changing business and economic conditions or other developments that could adversely affect their performance and therefore increase credit risk. In addition, subordination, lack or inadequacy of collateral or credit enhancement for a debt instrument can affect a portfolio company's credit risk, which can change over the life of an investment. Such portfolio companies could contest enforcement of foreclosure or other remedies, seek bankruptcy protection against such enforcement and/or bring claims for lender liability in response to actions to enforce debt obligations.

In any event, each General Partner anticipates that the respective Fund's portfolio companies are expected to present a high degree of business and credit risk. Portfolio investments could deteriorate as a result of, among other factors, an adverse development in their business, a change in the competitive environment or economic and financial market downturns and dislocations. As a result, portfolio companies that a Fund expected to be stable or improve could operate, or expect to operate, at a loss or have significant variations in operating results, could require substantial additional capital to support their operations or maintain their competitive position, or might otherwise have a weak financial condition or be experiencing financial distress. If any of the above were to occur with respect to any of the portfolio companies in which a Fund holds a debt investment, then such Fund's ability to make anticipated distributions to its investors could be delayed or otherwise adversely affected.

#### *Impact of Bankruptcy and Other Proceedings on Debt Investments*

When a company seeks relief under the Bankruptcy Code (or has a petition filed against it), with limited exceptions, an automatic stay prevents all entities, including creditors, from foreclosing or taking other actions to enforce claims, perfect liens or reach collateral securing such claims. Creditors who have claims against the company prior to the date of the bankruptcy filing must petition the court to permit them to take any action to protect or enforce their claims or their rights in any collateral. Such creditors could be prohibited from doing so if the court concludes that the value of the property in which the creditor has an interest will be "adequately protected" during the proceedings. If the bankruptcy court's assessment of adequate protection is inaccurate, then a creditor's collateral could be wasted without the creditor being afforded the opportunity to preserve it. Thus, even if a Fund holds a secured claim, it should be assumed that it will be prevented from collecting the liquidation value of the collateral securing its debt, unless relief from the automatic stay is granted by the court. If relief from stay is not granted, then such Fund may not realize a

distribution on account of its secured claim until a plan of reorganization or liquidation for the debtor is confirmed.

Bankruptcy proceedings can involve substantial legal, professional and administrative costs to a portfolio company and a Fund, and during the process the investee company's competitive position could erode, key management personnel could depart and the company could lose its ability to invest adequately. The debt of companies in financial reorganization will, in most cases, not pay current interest, may not accrue interest during reorganization and may be adversely affected by an erosion of the issuer's fundamental value. Such investments can result in a total loss of principal. Bankruptcy proceedings are also inherently litigious, time consuming, highly complex and driven extensively by facts and circumstances, which can result in challenges in predicting outcomes, and are subject to unpredictable and lengthy delays. The equitable power of bankruptcy judges also can result in uncertainty as to the ultimate resolution of claims. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that bankruptcy courts would decide favorably toward, or consistent with the interests of, a Fund. Furthermore, there are instances where creditors and equity holders lose their ranking and priority as such if they are considered to have taken over management and/or functional operating control of a debtor.

#### *Unsecured Loans and Collateral Impairment*

In the event a Fund makes a debt investment and the borrower underlying such debt investment defaults, such Fund might not receive payments to which it is entitled and thereby could experience a decline in the value of its portfolio investments in the borrower. If a Fund invests in debt that is not secured by collateral, in the event of such default, such Fund will have only an unsecured claim against the borrower. In the case of loans that are secured by collateral, while TruArc generally expects the value of the collateral to be greater than the value of such loans, the value of the collateral could actually be equal to or less than the value of such loans or could decline below the outstanding amount of such loans subsequent to a Fund's investment. The ability of a Fund to have access to the collateral could be limited by bankruptcy and other insolvency laws. Under certain circumstances, the collateral could be released with the consent of the lenders or pursuant to the terms of the underlying loan agreement with the borrower. There is no assurance that the liquidation of the collateral securing a loan would satisfy the borrower's obligation in the event of nonpayment of scheduled interest or principal, or that the collateral could be readily liquidated. As a result, a Fund might not receive full payment on a secured loan portfolio investment to which it is entitled and thereby could experience a decline in the value of, or a loss on, the portfolio investment.

#### *Subordination*

The senior equity, junior debt securities or other similar instruments of a Fund will typically be subordinated to the senior obligations of an issuer, either contractually, in the case of debt securities, or because of the nature of the security, in the case of preferred stock, or structurally, in the case of an investment at the holding company level. Such subordinated investments can be characterized by greater credit risks than those associated with the senior obligations of the same issuer. Adverse changes in the financial condition of an issuer, general economic conditions, or both can impair the

ability of such issuer to make payments on the subordinated securities and result in defaults on such securities more quickly than in the case of the senior obligations of such issuer.

### *Minority Investments*

A Fund could (and SOF expects to) make minority equity investments in portfolio investments where it could have more limited influence. In such a case, it will primarily be the responsibility of management teams and boards of directors of such companies, which could include representation by other investors whose interests could conflict with the interests of such Fund, to operate the portfolio investments on a day-to-day basis. Such portfolio investments could have economic or business interests or goals that are inconsistent with those of a Fund, and such Fund may not be in a position to limit or otherwise protect the value of its portfolio investments. A Fund's control over the investment policies of such portfolio investments could also be limited. This could result in a Fund's portfolio investments being frozen in minority positions that incur substantial losses. In addition, if a Fund takes a minority position in publicly traded securities as a "toehold" investment, such publicly traded securities could fluctuate in value over the limited duration of such Fund's portfolio investment in such securities, which could potentially reduce returns to the investors. Therefore, there can be no assurance that a Fund will be able to realize the value of any such portfolio investments and distribute proceeds in a timely manner. In addition, although each Fund plans to seek board representation in connection with its minority portfolio investments, there is no assurance that such representation, if sought, will be obtained. Further, a Fund could have no right to appoint a director and a limited ability to protect its interests in such companies and to influence such companies' management.

### *Possible Hedging Activities*

A Fund could use certain hedging strategies in connection with the acquisition, holding, financing, refinancing or disposition of one or more portfolio investments in order to minimize the risk of a decrease in the value of such portfolio investment(s), and portfolio companies themselves will also utilize hedging techniques in order to enhance returns. The use of hedging strategies is a highly specialized activity, and there can be no assurance that their use will achieve the intended result. These hedging strategies could limit the ability of a Fund to profit from the increase in the value of a portfolio investment above a certain price. While such hedging transactions can reduce certain risks, such transactions themselves could entail certain other risks, including (but not limited to) counterparty credit risk, bankruptcy or insolvency, convergence and other risks related to derivative investments. Changes in liquidity could result in significant, rapid and unpredictable changes in the prices for derivatives. Thus, while a Fund and its portfolio companies can benefit from the use of hedging instruments, unanticipated changes in interest rates, securities prices, commodity prices, currency exchange rates and/or other events relating to such hedging transactions could result in a poorer overall performance for a Fund and its portfolio companies than if they had not used those hedging instruments. In addition, if judgments made with respect to future stock prices, exchange rates, market conditions or trends are not correct, these hedging strategies could result in losses to a Fund. A Fund's hedging activities will be subject to any limitation imposed by the *de minimis* exemption under CFTC Rule 4.13(a)(3) or any other exemption from registration under the Commodity Exchange Act of 1936, as amended (the "Commodity Exchange Act") applicable to a Fund at the applicable time.

### *Co-Investments with Third Parties*

Each Fund could from time to time co-invest with third parties through jointly owned acquisition vehicles, partnerships, joint ventures or other structures. The Fund could be a minority investor in the underlying portfolio company in these circumstances. In such cases, such Fund will be significantly reliant on such third parties, the existing management or the board of directors of such companies, which could include representation of other financial investors with whom such Fund is not affiliated and whose interests could conflict with the interests of such Fund. Furthermore, a Fund's ability to control its equity investments will depend upon the nature of the joint investment arrangements with such third-party co-venturers or partners and such Fund's relative ownership stake in such investments. In addition, such arrangements could restrict a Fund's ability to dispose of its investments for potentially significant periods of time. Such investments will involve risks not present in investments where a third party is not involved. A third-party co-venturer or partner with a Fund could have financial difficulties resulting in a negative impact on such investment, could have economic or business interests or goals which are inconsistent with those of such Fund or could be in a position to take (or block) action inconsistent with such Fund's investment objectives. A Fund could be liable for the actions of its third-party co-venturers or partners. Co-investments could also involve higher costs than other investments, such as management fees, performance fees, carried interest, incentive allocation or reimbursements for fees, costs and expenses payable to or liabilities or other obligations to such third-party co-venturers or partners. Third-party co-venturers or partners potentially could include investors. Although a Fund may not have control over these investments and, therefore, could have a limited ability to protect its position therein, such Fund generally expects that appropriate minority investor rights will be obtained to protect its interests to the extent possible. There can be no assurance, however, that such minority investor rights will be available or that such rights will provide sufficient protection of a Fund's interests or that such rights will be controlled by such Fund.

### *Foreign Investments*

Although the Funds' investment strategies are to make private equity investments or Structured Securities investments, respectively, in middle market companies based in North America, each Fund is permitted to invest outside North America subject to limitations as set forth in the relevant Fund Governing Documents. Portfolio investments in foreign securities involve certain risks not typically associated with investing in U.S. securities, including risks relating to (a) currency exchange matters, including fluctuations in the rate of exchange between U.S. dollar and the various foreign currencies in which a Fund's foreign portfolio investments are denominated, and costs associated with the conversion of investment principal and income from one currency into another; (b) differences between the U.S. and foreign securities markets, including potential price volatility in, and relative illiquidity of, some foreign securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation in some countries; (c) certain economic, social and political risks, potential regulations and restrictions on foreign investment and repatriation of capital, the risks of political, economic or social instability and the possibility of expropriation or confiscatory taxation; (d) foreign governmental approvals and compliance with foreign laws; (e) the possible imposition of foreign taxes on income and gains recognized with respect to such securities; (f) less developed corporate laws regarding fiduciary duties and the protection of investors; and (g) rudimentary anti-fraud and insider trading regulations. A Fund's returns on its U.S. portfolio

investments will not be indicative of the results it could achieve on investments located in foreign countries. There could be no prohibitions or restrictions on the ability of management to terminate existing business operations, sell or otherwise dispose of a portfolio investment's assets, or otherwise materially affect the value of the company without the consent of the company's shareholders. Anti-dilution protection also could be very limited. In certain countries, the concept of fiduciary duty on the part of the management or directors of companies to shareholders could be limited. The legal systems in certain countries could offer no effective means for a Fund to seek to enforce its rights or otherwise seek legal redress or to seek to enforce foreign legal judgments. In addition, if a Fund were to invest in foreign securities, the scope and nature of such Fund's due diligence activities in connection with portfolio investments in certain countries will be more limited than due diligence reviews conducted in more developed economies because reliable information is often unavailable or prohibitively costly to obtain. The lower standards of due diligence and financial controls in investments in certain countries increase the likelihood of material losses on such investments. Furthermore, a Fund might not be in a position to take legal or management control of its portfolio investments in certain countries. It may not have legal recourse in the event of a dispute, and remedies might have to be pursued in the courts of the country in question where it could be difficult to obtain and enforce a judgment.

In addition, certain foreign countries have experienced substantial, and in some periods extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates have had and could continue to have very negative effects on the economies and securities markets (both public and private) of certain countries in which investment opportunities exist. If a Fund were to invest in companies domiciled outside of the United States, there could be no assurance that high rates of inflation outside the United States would not have a material adverse effect on the portfolio investments of such Fund.

#### *Use of Credit Facilities*

Subject to certain restrictions set forth in the relevant Fund Offering Documents, the respective General Partner is permitted to cause each Fund to (a) borrow money for the purpose of making portfolio investments, bridge financings or follow-on investments or paying Expenses or the management fee, (b) guarantee loans or other extensions of credit made to any credit facility borrower, portfolio investment (or to any affiliate thereof) or any vehicle formed to effect a portfolio investment in such portfolio investment in order to preserve, enhance or make available a portfolio investment and (c) finance or refinance the purchase price of any portfolio investment or an investment therein (by means of any "back-leverage," asset-based or similar financing of or with respect to one or more portfolio investments or any other credit facility that, in each case, is not a capital commitment facility). Each General Partner is permitted to cause the relevant Fund, any alternative investment vehicle or subsidiary vehicle to enter into a credit facility, whereby such Fund could incur indebtedness in accordance with clause (a), (b) or (c) above, including on a joint and several, or cross-collateralized basis with, or for the benefit of, any one or more credit facility borrowers (and, in connection with any such credit facility that is entered into on a joint and several or cross-collateralized basis, the respective General Partner is permitted to cause only one or a certain subset of each Fund and such other credit facility borrowers to draw down the entire amount of such credit facility). In connection with any such credit facility, the respective General Partner is permitted to pledge, mortgage, assign, transfer and grant a security interest in any of such General Partner's or such Fund's rights under the relevant Fund Offering Documents and/or on such Fund's

or other applicable credit facility borrower's securities, assets or other property, including (x) any portfolio investment or the securities, assets or other property of one or more portfolio investments and (y) the right to initiate capital calls and collect the available commitments of the investors, the obligations of the investors to make capital contributions and other required payments to such Fund, and any other assets, rights or remedies of such Fund or the respective General Partner under the relevant Fund Offering Documents or under any subscription agreement. This will limit the investors' ability to use their interests in a Fund as collateral for other indebtedness (which in any case would be subject to the consent of the respective General Partner in its sole discretion). In addition, the inability of a Fund to repay such borrowings could enable a lender to take action against any investor to the extent of its then-available commitment in such Fund.

If a Fund borrows money or obtains financing, then it is possible that such Fund's interim and longer term capital needs will be satisfied through such borrowings or financings, and drawdowns of capital contributions by such Fund, including those used to pay interest on borrowings or financings, could be "batched" together into larger, less frequent capital calls (although actual timing and amounts can vary). Furthermore, because each Fund intends to use such borrowings or financings to fund portfolio investments, Organizational Expenses, Operating Expenses and the management fee, often in advance of calling capital from investors, (i) the internal rate of return experienced by any investor will differ from what it would have been had such borrowings or financings not been used and (ii) to the extent such internal rate of return is calculated based on the actual dates of capital contributions from, and distributions to, the investors, the use of borrowing and financings in lieu of calling capital will cause the date of contribution to be later in time resulting in a higher rate of return. Accordingly, the respective General Partner will have an incentive to fund the acquisition of portfolio investments and the ongoing capital needs of each Fund with the proceeds of borrowings or other financings in lieu of drawing down available commitments.

Moreover, it is possible that a counterparty, lender or other unaffiliated participant in credit facilities (or otherwise in connection with portfolio investments) requires or desires facing only one Fund entity or group of entities, which could result in (i) any Fund entity and/or a portfolio investment, being solely liable with respect to its own share of the applicable obligation, or (ii) any such Fund entity, and/or a portfolio investment being jointly and severally liable for the full amount of such applicable obligation. If any such Fund entity is required to repay all or any portion of the borrowings or financings of any other parallel investment vehicle, or an alternative investment vehicle or portfolio investment, is required to repay all or any portion of the borrowings and/or financings of such Fund entity, then the applicable entity whose borrowings, guarantees or other extensions of credit were so repaid will, to the fullest extent permitted by applicable law, indemnify and reimburse each other entity that repaid such amounts, including any and all fees, costs and expenses incurred in connection therewith, such that, following such indemnification and reimbursement, each such entity will have borne its *pro rata* share of the applicable borrowing and/or financing (based on the interest of each such entity in the transaction or activity giving rise to such amounts or on such other basis as the respective General Partner determines in good faith to be equitable). As a result, in such circumstance, each Fund entity will be subject to each other's credit risk, as well as the credit risk of any such portfolio investment. In such situations it is not expected that any such Fund entity, any other parallel investment vehicle, or any of their respective alternative investment vehicles, and/or such portfolio investment, would be compensated (or provide compensation to the other) for being primarily liable vis-à-vis such third-party counterparty.

In addition, each General Partner will be subject to conflicts of interest in allocating such repayment obligations and other related liabilities.

#### *Guarantees of Portfolio Investments*

A Fund could guarantee the obligations of a portfolio investment. As a result, if any such portfolio investment defaults on its obligations, such Fund will be required to satisfy such obligation. In order to do so, such Fund can call capital, recall distributions or, while unlikely, liquidate some or all of the portfolio investments prematurely at potentially significant discounts to fair value. However, without the approval of the limited partner advisory committee, outstanding guarantees (and any borrowings under capital commitment facilities) cannot exceed (in the aggregate, at the time of issuance of such guarantee) the aggregate available commitments of all investors.

#### *ESG Considerations*

The Management Company could take into account environmental, social and governance (“ESG”) factors in the sourcing, investigating, identifying, researching, evaluating, developing, initiating, negotiating, structuring, making, acquiring, closing, consummating, holding, monitoring, maintaining, managing, financing, refinancing, pledging, restructuring or otherwise disposing of portfolio investments. Although compliance with such factors could result in higher ESG compliance fees, expenses or costs or the forgoing of certain opportunities, the Management Company believes that responsible ESG investing enhances the long-term value of portfolio investments and is an important element of responsible investing. There are no universally accepted ESG standards, and not all investors agree on the appropriate ESG standards to apply in a particular situation. The Management Company will apply ESG standards and considerations in its sole discretion. In either case, an adverse impact on the results of a Fund’s portfolio investments cannot be excluded.

#### *Risk of Limited Number of Investments; Fundraising Risk*

Because each Fund could only make a limited number of investments and such investments generally will involve a high degree of risk, poor performance by even a single portfolio company could severely affect the total returns to the investors. Investors have no assurance as to the degree of diversification of a Fund’s portfolio investments, either by geographic region, asset type or sector. Accordingly, a Fund’s portfolio investments could include a small number of large positions. In addition, there is no assurance that a Fund will reach its target fund size. Therefore, a Fund could invest in fewer companies and be less diversified (i.e., have a smaller number of positions) than if the fundraising targets had been met and an individual investor would have greater exposure to each portfolio investment than if the fundraising targets had been met. If a Fund has a small number of positions due to any of the foregoing, the aggregate return of such Fund could be adversely affected by the unfavorable performance of one or a small number of portfolio investments. There are no assurances that all of a Fund’s portfolio investments will perform well or even return capital. Accordingly, for such Fund to achieve above-average returns, one or more of its portfolio investments must perform very well. There are no assurances that this will be the case. Additionally,



with respect to any portfolio company, the securities in which a Fund will invest could be among the most junior in such portfolio company's capital structure and, therefore, could be subject to the greatest risk of loss. In addition, in circumstances where a General Partner intends to refinance all or a portion of the capital invested in a portfolio investment, there will be a risk that such refinancing will not be completed, which could lead to increased risk as a result of the relevant Fund having an unintended long-term investment as to a portion of the amount invested and/or reduced diversification. Finally, to the extent a Fund concentrates portfolio investments in a particular issuer, security or geographic region, its portfolio investments will become more susceptible to fluctuations in value resulting from adverse economic or business conditions with respect thereto. See also above, under "Foreign Investments".

*Vintage Year Concentration Risks.* Due to their long-term nature, private funds are exposed to market cycles that can result in final returns that vary substantially over vintage years. Additionally, fundraising by general partners, and volume of investment activity frequently follow countercyclical patterns, which could impede proper diversification over time. There can be no assurance that a Fund's investments will be adequately diversified. As a result, the investment portfolio of such Fund could be concentrated given its vintage year.

#### *Exculpation and Indemnification*

Certain exculpation and indemnification provisions contained in the respective Partnership Agreements limit the rights of action otherwise available to the investors and other parties against the indemnified parties, including the respective General Partner, the Management Company, and their respective affiliates, officers, directors, managers, shareholders, partners, members, employees, consultants and agents, Operating Team Members and the members of the LP Advisory Committee (defined below) (including the investors represented by such member of the LP Advisory Committee with respect to actions or omissions of the LP Advisory Committee member), absent such a limitation in the respective Partnership Agreements. In addition, each Fund will be obligated to indemnify the indemnified parties against any loss or damage incurred by them in connection with such Fund's activities or operations, subject to certain limited exceptions. Such liabilities are likely to be material and have an adverse effect on the returns to the investors. For example, in their capacity as directors of portfolio companies, the direct or indirect members or partners of a General Partner or of the Management Company, TruArc personnel or any other General Partner affiliates could be subject to derivative or other similar claims brought by shareholders of such companies. The obligation to fund any indemnification will survive the termination of each Fund and the respective Partnership Agreements.

The indemnification obligations of a Fund would be payable from the assets of such Fund, including the available commitments of the investors, and will not be limited to any particular asset, such as the asset representing the portfolio investment giving rise to the obligation. Accordingly, investors could find their interests in a Fund's assets adversely affected by an obligation or liability arising out of a portfolio investment in which they did not participate because, for example, they were excluded or excused by such Fund's General Partner. If the assets of a Fund are insufficient, its General Partner could recall distributions previously made to the investors (subject to certain limitations). Furthermore, as a result of the provisions contained in the respective Partnership Agreements, the investors will have a more limited right of action in certain cases than they would in the absence of such limitations. It should be noted that a General Partner could cause a Fund to

purchase insurance that provides each indemnified party, as well as such Fund, with coverage with respect to losses or damages that would otherwise be indemnification obligations of such Fund. All fees, costs and expenses relating to such insurance will be borne by such Fund as an Operating Expense.

#### *Investments in Less Established Companies*

The Funds are not restricted from investing a portion of their assets in the securities of less established companies, or early-stage companies. Investments in such early-stage companies involve greater risks than those generally associated with investments in more established companies. For instance, less established companies tend to have smaller capitalizations and fewer resources and, therefore, are often more vulnerable to financial failure. Such companies also have shorter operating histories on which to judge future performance and in many cases, if operating, will have negative cash flow. In the case of start-up enterprises, such companies typically do not have significant or any operating revenues. In addition, less mature companies are more susceptible to irregular accounting or other fraudulent practices. Furthermore, to the extent there is any public market for the securities held by a Fund, securities of less established companies tend to be subject to more abrupt and erratic market price movements than those of larger, more established companies. Some of the portfolio investments expected to be made by the Funds should be considered highly speculative and could result in the loss of the Funds' entire investment therein. There can be no assurance that any such losses will be offset by gains (if any) realized on a Fund's other investments.

#### *Investment Expenses / Broken Deal Expenses*

Each Fund's investments will require extensive due diligence, legal, and other costs prior to their consummation and will result in such Fund bearing Broken Deal Expenses if they are not consummated. A Fund will pay any fees, costs, and expenses incurred in sourcing, investigating, identifying, researching, evaluating, developing, initiating, negotiating, structuring, making, acquiring, closing, consummating, holding, monitoring, maintaining, financing, refinancing, pledging, restructuring or otherwise disposing of any investment opportunities it pursues, whether or not such investments are ultimately consummated. Additionally, each Fund is permitted to enter into agreements that involve payments (including commitment fees, termination fees, breakup fees, "reverse" termination fees, "reverse" breakup fees, deposits and working capital payments) by such Fund if it does not consummate the transaction. These expenses can be significant and are likely to be material to each Fund. A Fund could incur, either directly or pursuant to its obligation to reimburse the Management Company for any such expenses advanced by it, significant expenses in connection with proposed investments that are not consummated without the opportunity for gain or recoupment of such expenses.

#### *Failure to Make Capital Contributions*

If any investor fails to fund its subscription obligation or make required capital contributions when due, and the contributions made by non-defaulting investors and borrowings by a Fund are inadequate to cover the defaulted capital contribution, it is possible such Fund's ability to complete its investment program or otherwise continue operations could be substantially impaired. A default by a substantial number of investors could leave a Fund with less than sufficient capital to meet its

funding obligations and could subject such Fund to significant penalties that would limit opportunities for investment diversification and materially adversely affect returns to the investors (including non-defaulting investors). Any investor that defaults in making a required capital contribution will be subject to certain significant and adverse consequences pursuant to the provisions of the respective Fund Offering Documents, potentially including forfeiture of all or a portion of its interest in the relevant Fund.

### *Side Letters*

Each General Partner, on its own behalf or on behalf of the relevant Fund, and without the approval of any investor, is permitted to enter into side letter agreements. A General Partner will not be required to notify all investors of any such side letters or any of the rights or terms or provisions thereof, and will not be required to offer such additional or different rights or terms to all investors. As a result of such side letters, certain investors will receive additional benefits that other investors will not receive (or terms that are more favorable than the terms given to other investors), including, without limitation, (i) “most favored nations” treatment with respect to terms granted in other side letters; (ii) the right to appoint a voting member or observer to the limited partner advisory committee and certain rights or procedures relating thereto; (iii) terms that relate to the tax, legal or regulatory situation, internal policies or practices, structural attributes, operational or contractual requirements, administrative controls, principal place of business, jurisdiction of formation, sovereign status, or domicile or organizational form of the applicable investor; (iv) waivers of the confidentiality obligation under the relevant Fund Offering Documents or other rights relating to the confidential information of such Fund or such investor; (v) the right to be excused from the obligation to make a capital contribution with respect to a portfolio investment as a result of a law, governmental regulation, statute, rule, order or policy-based restriction applicable to the investor; (vi) representations and covenants from such General Partner or such Fund addressing the payment of placement fees or similar payments made with respect to the admission (or continued investment) of certain investors, including provisions intended to address the requirements of anti-“pay-to-play” or similar regulations; (vii) consents to or rights with respect to the transfer, sale, pledge, assignment, hypothecation or other disposition of the investor’s interest in such Fund; (viii) rights with respect to the reporting obligations of such Fund, such General Partner, the Management Company or any affiliate, director or officer of any of the foregoing; (ix) terms clarifying or limiting the scope of any power of attorney set forth in the relevant Fund Offering Documents or any subscription agreement; and (x) waivers, discounts or other reductions to the management fee, carried interest distributions or other similar economic benefits, including limitations on the applicable investor’s share of any general or specific category of fees, costs or expenses of such Fund (such as, by way of example only, Travel and Related Expenses, gifts and entertainment and indemnification obligations). Any rights established, or any terms of a Fund’s Partnership Agreement, a Fund’s investment management agreement or an investor’s subscription agreement altered or supplemented in such side letters with an investor will govern with respect to such investor notwithstanding any other provision of such Fund’s Memorandum, such Fund’s Partnership Agreement, such Fund’s investment management agreement or the investor’s subscription agreement. Such side letters will result in differential treatment among the investors. Any rights established, or any terms of such Partnership Agreement, such Fund’s investment management agreement or any investor’s subscription agreement altered or supplemented, in such side letters with an investor will govern with respect to such investor notwithstanding any other provision of this brochure or such Fund’s Partnership Agreement. Such side letters will result in

differential treatment among the investors. The other investors will have no recourse against such Fund or any of its affiliates in the event that certain investors receive additional or different rights or terms as a result of such side letters. Furthermore, a General Partner also reserves the right to grant waivers to certain investors (including, but not limited to, Strategic Investors (defined below)), but not others, of certain of the restrictions imposed under the “most-favored nations” clause included in most if not all Side Letters (such as the limitations on the right to review and/or elect terms granted to other investors based on the size of their commitments).

#### *Benefit From Services to the Fund and Investments*

In connection with their services to a Fund and its investments, such Fund’s General Partner, the Management Company, the Principals, the other TruArc personnel and other General Partner affiliates expect to receive the benefit of certain tangible and intangible benefits. For example, in the course of TruArc’s operations, including research, due diligence, investment monitoring, operational improvements and investment activities, a General Partner, the Management Company, the Principals, the other TruArc personnel and other General Partner affiliates expect to receive and benefit from information, “know-how,” experience, analysis and data relating to the relevant Fund’s or a portfolio company’s (as applicable) operations, terms, trends, market demands, customers, vendors and other metrics (collectively, “TruArc Information”). In many cases, TruArc Information will include tools, procedures and resources developed by TruArc to organize or systematize TruArc Information for ongoing or future use. Although TruArc expects that each Fund and its portfolio companies generally will benefit from TruArc’s possession of TruArc Information, it is possible that any benefits will be experienced solely by Other Client Vehicles or their portfolio companies and not by such Fund or portfolio company from which such TruArc Information was originally received. TruArc Information will be the sole intellectual property of TruArc and solely for the use of TruArc. TruArc reserves the right to use, share, license, sell or monetize TruArc Information, without offset to the management fee, and a Fund or relevant portfolio company will not receive any financial or other benefit of such use, sharing, licensure, sale or monetization. Additionally, expenses relating to a Fund or its portfolio companies are expected to be charged using credit cards or other widely available third-party rewards programs that provide airline miles, hotel stays, travel rewards, traveler loyalty or status programs, “points,” “cash back,” rebates, discounts and other arrangements, perquisites and benefits under the available terms of such reward programs. Such terms are expected to vary from time to time, and any such rewards (whether or not *de minimis* or difficult to value) generally will inure to the benefit of the personnel participating in the rewards program (or the relevant General Partner or the Management Company), rather than the portfolio companies, the relevant Fund or their respective investors; no such rewards will offset the management fee.

### **Item 9      Disciplinary Information**

TruArc and its employees have not been involved in any legal or disciplinary events that would be material to an investor’s evaluation of the Management Company or its personnel. In connection with litigation filed against portfolio companies, certain TruArc professionals could be named as co-defendants in their capacities as directors of portfolio companies.

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

### *Ongoing Relationship with Snow Phipps*

TruArc has been established as a successor business to Snow Phipps. Mr. Ian Snow, CEO and co-founding Partner of Snow Phipps, is a “Senior Advisor” to TruArc. In addition, Mr. Snow owns (or will own) a minority economic interest in each of the General Partners and the Management Company and, in such capacity, (a) is entitled to receive (i) a portion of the net profits of the Management Company over a predetermined period of time and (ii) in exchange for making a capital commitment to each General Partner, carried interest distributions made from each Fund with respect to a predetermined amount of assets under management and (b) possesses certain minority protection rights in connection with such interest, economic protections such as anti-dilution rights and consent rights in respect of certain material actions by the Firm, such as (by way of example only) the incurrence of extraordinary expenses or debt by the Firm, or entry into certain new business lines. The ongoing relationship between TruArc and Snow Phipps includes, but is not limited to, an arrangement under which investment and back-office personnel and expenses are shared between the two firms.

### *Arrangement with Reinet; Other Non-Controlling Minority Equity Owners of TruArc.*

Reinet has made a sizeable commitment to Fund IV which, at the final closing, was equal to approximately 32% of aggregate commitments of all investors. In exchange for such commitment, Reinet has been granted (a) the right to appoint a representative to serve as a voting member of Fund IV’s LP Advisory Committee, (b) a minority interest in the net profits of the Management Company, which portion will increase over time through a predetermined additional allocation, and through rights to purchase or subscribe for additional interests, though such interests will not exceed 15% in the aggregate, (c) the right to co-invest through TruArc Fund IV Co-Invest, (d) a carried interest credit based on a notional (but not actual) minority percentage interest in the profits of the General Partner, which notional minority percentage interest is expected to increase once Fund IV reaches a certain investment milestone, and (e) reduced Management Fee Percentages.

In addition, Reinet has made a sizeable commitment to SOF which, by the final closing, is expected to equal approximately 24% of aggregate commitments of all investors, assuming the SOF achieves its target size of \$250 million in commitments at by the final closing. In exchange for such commitment, Reinet has been granted (a) the right to appoint a representative to serve as a voting member of the SOF LP Advisory Committee, and (b) capacity for investment in SOF at significantly reduced rates in respect of management fees and carried interest distributions, and, for a portion of Reinet’s commitment above a certain threshold, on a management fee-free and/or carried interest distribution-free basis.

In connection with its minority interest in the Management Company, Reinet will not have any power to direct the investments or control the Management Company, but possesses certain minority protection rights, including information access and periodic reporting rights, economic protections such as anti-dilution rights and consent rights in respect of certain material actions by TruArc, such as (by way of example only) the issuance of certain senior securities, the incurrence of extraordinary debt by TruArc, certain related party transactions and certain restructurings. Reinet could also choose to be excluded from TruArc’s entry into certain new business lines. Reinet will also be afforded customary “tag-along” transfer rights, certain “put” rights and the ability to transfer

its minority interest to other institutional investors in event of certain regulatory or other cause-based events.

In addition to Reinet, certain other strategic investors (or their affiliates), including those that previously invested in Snow Phipps and one or more Funds (or their respective general partners), have made investments in the General Partners and/or the Management Company, or have been granted interests in the General Partners and/or the Management Company (such as profits interests), in addition to making commitments to the Funds (together with Reinet, the “Strategic Investors”). Such commitments could be sizable. Accordingly, each such Strategic Investor is expected to be entitled to receive a portion of the net profits of the Management Company, and/or carried interest distributions made from the Funds in exchange for such investments or as a result of such grants. Furthermore, in exchange for such investments or grants, Strategic Investors are expected to receive one or more of the following preferential rights: (i) capacity for investment in the Funds and/or future Other Client Vehicles at significantly reduced rates in respect of management fees and carried interest distributions, or on a management fee-free and/or carried interest distribution-free basis, (ii) observer or voting membership on the Investment Committee, and, in connection therewith, enhanced information rights with respect to (and/or the ability to consult with the Principals and vote on) TruArc’s current and future activities (including with respect to the investment strategies pursued, and the operational activities engaged in, by TruArc, or matters pertaining to the acquisition, maintenance and disposition of the Funds’ portfolio investments), (iii) significantly reduced or no obligation to share in expenses of the General Partners or the Management Company or to contribute additional capital for purposes of satisfying defaults of other members or partners of the General Partners and (iv) other minority protection rights as will be negotiated between TruArc, on the one hand, and any such Strategic Investor, on the other hand, in their respective sole and absolute discretion. In no event will any rights received by a Strategic Investor be subject to any “most-favored nations” clause or similar provisions granted by the Funds or the General Partners in a Side Letter. Strategic Investors could also be granted waivers of certain of the restrictions imposed on other investors under the “most-favored nations” clause included in most if not all Side Letters (such as limitations on the right to review and/or elect terms granted to other investors based on the size of their commitments). Like Snow and Snow Phipps, neither Reinet, nor any other Strategic Investor, nor any of their respective affiliates, will be considered an affiliate of any General Partner or the Management Company.

While each Strategic Investor is expected to own a minority interest in the General Partners and/or the Management Company, when taken together, the economic percentage of the General Partners and/or the Management Company owned by Strategic Investors (including, for these purposes, Snow (or one of his affiliates) and Reinet) could be material. Although it is not currently expected that the Strategic Investors (whether individually or together) will be able to exert control over TruArc’s investment decisions, such economic ownership, together with the preferential rights described in the preceding paragraphs (and, in the case of Snow, under “Ongoing Relationship with Snow Phipps” above), could have the appearance of allowing Strategic Investors to influence such decisions, including those to be made by the Investment Committee. Nonetheless, no investment by a Strategic Investor in the General Partners, the Management Company, the Funds or any other affiliate of the General Partners or the Management Company will require the vote, consent or approval of any limited partner or the LP Advisory Committee.

A Strategic Investor's investment in the General Partners and/or the Management Company could be effected through, among other things, the purchase of all or a portion of the interest in the General Partners and/or the Management Company held by any TruArc personnel (including, for these purposes, Snow) or through a grant or allocation without additional consideration. Any and all fees, costs and expenses (including any and all Service Provider Compensation) incurred in connection with the negotiation and implementation of a Strategic Investor's investment as described above will constitute Organizational Expenses and, as such, will be borne by the relevant Fund as such for purposes of the relevant Partnership Agreements.

Conflicts of interest will arise from time to time as a result of the participation by Strategic Investors (including, for these purposes, Snow (or one of his affiliates) and Reinet) in the General Partners and/or the Management Company. For example, a Strategic Investor's participation in the General Partners and the Management Company will reduce the share of management fees and carried interest distributions that certain TruArc personnel would otherwise receive and, as such, will alter TruArc's return and risk exposure with respect to the Funds as compared to the return and risk exposure that it would have had in the absence of such Strategic Investor's interest in such entities. As a result, there could be incentives for the General Partners and/or the Management Company to take actions in respect of the Funds' assets that it would not otherwise have taken in the absence of such arrangements, which could negatively impact the Funds or their investors. Without limiting the foregoing, given its minority interest in the Management Company and other entitlements described above, and its otherwise enhanced relationship with TruArc, Reinet will generally have access to information about the Funds, their portfolio investments and TruArc generally that is not (and will not be) available to other investors, and will likely have access to information earlier than as it is provided to other investors. Reinet's enhanced relationship, and specifically its interest in the Management Company, could give rise to conflicts of interests for both TruArc and in respect of how Reinet exercises its rights under the Partnership Agreements, including the manner in which it exercises any vote, consent or approval right held by it in its capacity as a limited partner or whether its representative on the LP Advisory Committee chooses to approve or consent to a matter presented thereto (although, for purposes of each Fund, the portion of Reinet's commitment in excess of 19.9% of the total voting power of the limited partner interests will be deemed a non-voting interest and will be disregarded from any vote, consent or approval of each Fund's investors). The size of Reinet's commitment and participation in each Fund as a limited partner could be substantially greater than its participation in the Management Company, which should substantially mitigate any such conflicts of interest for Reinet. In any event, like Snow and Snow Phipps, neither Reinet nor any of its affiliates, nor any other Strategic Investor, nor any of their respective affiliates, will be considered an affiliate of any General Partner or the Management Company nor will any of them be subject to any of the terms and conditions under the Partnership Agreements applicable to affiliates of the General Partners or the Management Company, including, without limitation, those applicable to related party transactions, raising additional investment vehicles or the management fee offset. The foregoing list is not intended to be exhaustive and, as such, the possibility of other complex conflicts of interest cannot be foreclosed.

All Strategic Investors and Snow (and certain of his respective affiliates) will constitute "Constituent Members" of each General Partner and/or the Management Company for purposes of (and as such term is defined in) the respective Partnership Agreements (in each case, regardless of whether the interests are held by the same entity as the entity that holds interests in such General

Partner and/or the Management Company, provided such entities are affiliated or otherwise related to the Strategic Investor).

#### *Other Investment Activities and Relationships*

The General Partners, the Management Company, the Principals, the other TruArc personnel and other affiliates are expected to be investors in, and will devote time in the future to the management of, investments made prior to and after the formation of the Funds, including all pre-existing client vehicles (including the Prior Funds) and their investments, and certain other investments not made by the Funds. Except as otherwise provided for in the Partnership Agreements, the Funds will not necessarily have an interest in such investments.

In addition to the foregoing, the activities of the Funds are not and will not be the sole focus of any of the Principals or of any other TruArc personnel, and all or substantially all of such persons have (and are expected to continue to have) required time commitments to Other Client Vehicles, including the Prior Funds and future investment vehicles and their respective portfolio companies. Moreover, each of the Principals and certain other TruArc personnel serve as (or could serve as) members of the boards of directors, advisory boards and/or investment committees (or similar governing bodies) of various companies and other entities and participate in other activities outside of the Funds, the General Partners and the Management Company. The Principals and other TruArc personnel also manage their own personal investments, whether or not through a formal family office or estate planning structure, and pay and could receive compensation relating to those arrangements. Conflicts will arise as a result of such activities and in the allocation of management resources. The possibility exists that the companies with which any such person or entity (or related entities, such as estate planning vehicles) is involved could engage in transactions which would be suitable for a Fund, but in which such Fund might be unable to invest or in any event does not invest.

#### *Exemptions from Certain Regulatory Registrations*

The Funds are not registered under the IC Act. The IC Act provides certain protection to investors and imposes certain restrictions on registered investment companies (including, for example, limitations on the ability of registered investment companies to incur leverage), none of which will be applicable to Fund IV or SOF.

Neither TruArc nor any General Partner are registered as broker-dealers under the U.S. Securities and Exchange Act of 1934, as amended (the “Exchange Act”), or with the Financial Industry Regulatory Authority, Inc. (“FINRA”) and, consequently, are not subject to the record-keeping and specific business practice provisions of the Exchange Act or the rules of FINRA.

The Commodity Exchange Act also provides certain protection to investors by imposing certain disclosure, reporting and recordkeeping obligations on Commodity Pool Operators (“CPOs”) and Commodity Trading Advisors (“CTAs”). However, pursuant to an exemption from the Commodity Futures Trading Commission (the “CFTC”) regulations, the General Partners do not expect to be required to register, and will not be registered, with the CFTC as a CPO. Specifically, the General Partners are relying on the limited trading exemption provided by CFTC regulation 4.13(a)(3). TruArc is relying on the exemption from registration as a CTA pursuant to Section 4m(3) of the



Commodity Exchange Act.

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

### *Code of Ethics*

TruArc has adopted a written Code of Ethics (“Code”) which is included as a part of its “Compliance Manual” and which (along with any amendments) is provided to each employee. Our Code requires all of our employees to (i) act with competence, dignity, integrity and in an ethical manner in all dealings on our behalf, (ii) use reasonable care and exercise independent professional judgment in the execution of their duties and (iii) avoid actions or relationships that might conflict, or appear to conflict, with job responsibilities or the interests of TruArc and its Clients. Our Code also contains policies and procedures that address personal securities trading by employees and are intended to mitigate potential conflicts of interest. We prohibit personal trading on certain securities or instruments; require preclearance before purchasing securities in an IPO or limited offering (i.e., private placement); and require periodic reporting of employees’ personal securities transactions and all holdings. We require prompt internal reporting of Code violations.

TruArc will provide a copy of the Code to any investor or prospective investor upon request.

### *Material Nonpublic Information*

As a result of TruArc’s activities, the General Partners, the Management Company, the Principals, the other TruArc personnel or other related parties could acquire confidential or material nonpublic information and therefore be restricted from initiating transactions in certain securities. The General Partners and the Management Company do not intend to operate the investment activities of the Funds with ethical screens or information barriers that other investment management firms implement to separate persons who make investment decisions from others who might possess material nonpublic information that could influence such decisions. In the event that any of the Principals or other TruArc personnel obtain such material nonpublic information, TruArc could be restricted in acquiring or disposing investments on behalf of a Fund and Other Client Vehicles, which could impact the returns generated therefor. Notwithstanding anything in the Partnership Agreements to the contrary, each General Partner is permitted to keep confidential from any investor any material nonpublic technical information, the disclosure to the investor of which would be reasonably likely to subject the relevant Fund or any portfolio company (including any potential portfolio company) to the jurisdiction or review of the Committee on Foreign Investment in the United States.

### *Transactions between and amongst Other Client Vehicles and Portfolio Companies*

From time to time, one or more Other Client Vehicles will acquire, sell, or otherwise transact with investments or portfolio companies held by different Other Client Vehicles. To the extent any such acquisition, sale or other transaction is not exposed to market forces, such transactions create conflicts of interest because, there is no assurance that either Other Client Vehicle will receive the best price otherwise possible, or that the applicable General Partner, Management Company, or any of their respective affiliates will not have an incentive to improve the performance of one Other

Client Vehicle even if it is at the expense of another Other Client Vehicle, including by selling underperforming assets to another Other Client Vehicle in order to, for example, avoid losses in the selling Other Client Vehicle or to increase the fees payable by the acquiring Other Client Vehicle. Additionally, in connection with such transactions, the General Partners, the Management Company, other related parties and each of their respective officers, directors, managers, partners, members, shareholders, employees, agents, advisors and personnel will, from time to time, have significant investments, or intentions to invest, in the Other Client Vehicle that is selling and/or acquiring such investments or otherwise have a direct or indirect interest in any such investment (such as through certain other participations in the investment). The General Partners, the Management Company or one or more other related parties could receive management fees or other fees in connection with their management of the relevant Other Client Vehicles involved in such transaction, and could also be entitled to share in the investment profits of (i.e., carried interest from) the relevant Other Client Vehicles.

Accordingly, as they relate to the Funds, such transactions can result in conflicts of interest for the General Partners, the Management Company and other related parties by giving rise to conflicting economic or other incentives or interests on different sides of such transactions. However, such transactions generally will be permitted where a General Partner determines in good faith that its terms are arm's length and in the best interests of all of the Other Client Vehicles involved. Such determination could be reached in a number of ways, including, but not limited to, (i) pricing such transactions based on the Management Company's valuation policies and procedures, (ii) review and consultation with (but not necessarily in all cases, approval by) their respective limited partner advisory committees, (iii) the presence of or participation by unaffiliated third parties to help validate the terms thereof, (iv) employing separate investment teams, separated by "fire walls," or advised by separate legal counsel or financial advisors to represent the applicable Other Client Vehicle and to advise their respective general partners, (v) obtaining a fairness or similar opinion from a third-party valuation firm or investment banker with respect to the terms and conditions of such transaction, including the price or (vi) running an auction process.

For example, in connection with (or subsequent to) a transaction involving the sale of an investment by one or more Other Client Vehicles to one or more third parties, one or more different Other Client Vehicles, including a newly formed Other Client Vehicle or Other Client Vehicles) could acquire a portion of the investment being sold through a cross trade. Such portion could also represent a material portion of the investment being sold. Such transactions resulting in differing participation as between the relevant Other Client Vehicles could give rise to, among other things, conflicts of interest in connection with valuing the securities of interests being issued or acquired in connection with such transaction (to the extent that certain valuations are more likely than not to benefit the selling Other Client Vehicle over the acquiring Other Client Vehicle or *vice versa*). The Management Company is incentivized to negotiate for the highest price possible from the perspective of the selling Other Client Vehicle and the lowest price possible from the perspective of the acquiring Other Client Vehicle. Any acquisition by a Fund in such transaction would be based on terms, including price, that its General Partner determines in good faith to be no less favorable than the arm's-length terms negotiated between the Other Client Vehicle selling the interest and the acquiring third party or third parties (assuming that the cross trade does not otherwise occur on such terms). Similarly, any sale by a Fund in such transaction to an Other Client Vehicle would be based on terms, including price, that its General Partner determines in good faith to be no less favorable than the arm's-length terms negotiated between such Fund and the acquiring third party or third

parties (again, assuming that the cross trade does not otherwise occur on such terms). Notwithstanding the foregoing, it is possible in any such transaction that an individual term (e.g., governance with respect to the portfolio company) granted to the acquiring third party or third parties will be more favorable than the corresponding term granted to the acquiring Other Client Vehicle. In any event, each Partnership Agreement affords the relevant General Partner a degree of discretion in resolving the foregoing conflicts, and therefore, each General Partner's resolution of any such conflict is expected to vary based on the particular facts and circumstances surrounding each investment by the relevant Fund and any Other Client Vehicle and, as such, there is likely to be a degree of variation and potential inconsistencies in the manner in which such potential or actual conflicts are addressed.

In addition, all of the Other Client Vehicles participating in such transaction, including, for the avoidance of doubt, the Other Client Vehicle selling or acquiring the investment, could be required to disclose the terms of such transaction to (or in the case of certain Other Client Vehicles other than the relevant Fund, obtain the consent from) their respective limited partner advisory committees. For the avoidance of doubt, in light of the foregoing disclosure, no such sale or acquisition by a Fund, however, will require the vote, consent or approval of the limited partner advisory committee or any investor. In addition, each Fund will be permitted to sell investments to any Other Client Vehicle or acquire investments from any Other Client Vehicle in transactions that do not involve a third-party buyer so long as such Fund's General Partner determines in good faith that the terms are arm's length and in the best interest of all the Other Client Vehicles (including such Fund) involved. By way of example only (and without limitation to the foregoing), SOF will be permitted to sell one or more investments, in whole or in part, to a TruArc PE Fund.

Without limiting the generality of the foregoing, if a Fund invests in the portfolio company of any Other Client Vehicle in a transaction that results in a disposition of all or any portion of such Other Client Vehicle's interests in such portfolio company (by way of example only, through a redemption or other similar transaction), or conversely, if all or any portion of a Fund's interests in a portfolio company is disposed of as a result of an investment by any Other Client Vehicle in such portfolio company, then similar conflicts of interests as those described above in the context of a sale or acquisition between or amongst a Fund and/or Other Client Vehicles will also apply and will be resolved in an analogous manner (although the conflicts of interests present in the context of any such transaction that is effected on terms and conditions that were generally predetermined in advance of the applicable subsequent investment will be deemed to have been sufficiently mitigated). Notwithstanding the foregoing, where such a transaction includes parties other than a Fund and Other Client Vehicles and the flow of funds between a non-Other Client Vehicle party, on the one hand, and such Fund, on the other hand, is such that no funds actually flow directly or indirectly between such Fund and an Other Client Vehicle, no actual across trade between such Fund and an Other Client Vehicle will be deemed to have occurred. In addition, if a TruArc PE Fund makes a TruArc PE Sponsored Investment in a portfolio company in which SOF has a preexisting Structured Security investment, no cross trade will be deemed to have occurred regardless of whether, as a result of the transaction, funds flow directly or indirectly from such TruArc PE Fund to SOF or *vice versa*.

Finally, and similar to the foregoing, it is possible that a Fund or one or more of its portfolio companies could sell or acquire assets, securities, services or other property to or from, provide goods or services to, or otherwise transact with, Other Client Vehicles or their portfolio companies,

such Fund's other portfolio companies, such Fund's General Partner, the Management Company, the Principals, the other TruArc personnel or one or more of the other General Partner affiliates. Each General Partner expects that any such sales, acquisitions, provisions and transactions will occur in the ordinary course of operations (or otherwise in connection with the good faith and reasonable operations) of each Fund, such portfolio companies, Other Client Vehicles and the portfolio companies of such Other Client Vehicles (including, but not limited to, in connection with the strategic or organic growth initiatives of such portfolio companies and the portfolio companies of such Other Client Vehicles). Each General Partner further expects that such transactions will occur on arm's-length terms, but there will be instances in which any such determination will be subjective and reasonable minds will disagree, especially if such General Partner is unable to collect sufficient evidence to support any such determination, including as a result of not having identified any sufficiently comparable transaction. A General Partner could also recommend the products or services of one of the relevant Fund's portfolio companies to another portfolio company of such Fund, to the portfolio company of an Other Client Vehicle, to the Management Company, to one or more other General Partner affiliates or to any co-investor or *vice versa*. By way of example only, the Management Company or another General Partner affiliate could purchase goods or services from a portfolio company of a Fund, which purchase could be at a discount to market rates. In addition, a General Partner could recommend to any of the relevant Fund's portfolio companies the products or services of a portfolio company of an Other Client Vehicle. No conflict of interest will be deemed to have arisen in connection with any transaction that results from such recommendations if none of such Fund, such General Partner, the Management Company or any other General Partner affiliate set the terms of such transaction. For purposes of the respective Partnership Agreements, no Other Client Vehicle (nor its portfolio companies or investments) and no portfolio company or portfolio investment will be deemed an affiliate of the relevant Fund, the Management Company or any other related parties.

*GP-Led Secondary Transactions.* Over the life of a Fund, its General Partner could seek to sponsor a transaction in which investors are provided the opportunity to sell all or a portion of their interests in such Fund and/or their indirect interests in one or more assets of such Fund (the "Transaction Assets") to one or more secondary buyers (any such transaction, a "GP-Led Secondary Transaction"). A GP-Led Secondary Transaction could be structured in a variety of different ways. One such structure is the sale of the Transaction Assets to a so-called "continuation vehicle" in which the Transaction Assets are sold to a newly formed entity (a "Continuation Vehicle") capitalized by one or more secondary buyers, controlled by the relevant General Partner (or a General Partner affiliate) and for which the Management Company or another General Partner affiliate serves as investment manager. Another structure is a limited partner tender offer (an "LP Tender Offer") in which a General Partner presents all or certain of the investors with an offer from one or more secondary buyers to purchase all or a portion of each such investor's interests in the relevant Fund (which purchase could be structured through a special-purpose vehicle controlled by such General Partner (or a General Partner Affiliate) and capitalized by secondary buyers).

The structures of GP-Led Secondary Transactions are continuously evolving, and a General Partner could seek to sponsor a GP-Led Secondary Transaction with features similar to, or different from, those described above. GP-Led Secondary Transactions also give rise to various conflicts of interest, some of which are described further below (although the following discussion does not purport to enumerate all potential or actual conflicts of interests that arise in connection with GP-Led Secondary Transactions).

The General Partners, the Management Company or one or more other General Partner affiliates sponsoring any such GP-Led Secondary Transaction (collectively, the “TruArc Transaction Parties”) will have interests that differ from, or that conflict directly or indirectly with the interests of, one or more (or all) of the investors, and such interests are likely to give rise to incentives for the TruArc Transaction Parties to recommend the applicable GP-Led Secondary Transaction in addition to other conflicts of interest for the TruArc Transaction Parties. By way of example only, consummation of a GP-Led Secondary Transaction will impact the management fees and carried interest received by TruArc Transaction Parties, typically resulting in the TruArc Transaction Parties receiving additional management fees and carried interest related to the Transaction Assets. If an LP Tender Offer is structured as a “stapled transaction” that requires secondary buyers to make contemporaneous capital commitments to an Other Client Vehicle, the price offered to the investors could be adversely affected. In the context of a Continuation Vehicle transaction, a General Partner will be incentivized to seek the highest selling price for the Transaction Assets to de-risk and receive carried interest distributions in respect of the Transaction Assets being sold to the Continuation Vehicle. However, this incentive will conflict with a General Partner’s desire to seek a lower price for the benefit of the Continuation Vehicle to increase the potential for more carried interest out of the Continuation Vehicle in the future (an incentive that itself will be exacerbated if the carried interest rate negotiated with the secondary buyers is higher than the carried interest rate of the relevant Fund). Such conflicts could be mitigated or exacerbated by the fact that the sale of the Transaction Assets will generally result in the current or future management fees chargeable to the relevant Fund to decrease as a result of the disposition of the Transaction Assets to the Continuation Vehicle – a conflict further complicated by the fact that the creation of a Continuation Vehicle is likely to result in additional management fees for the Management Company or other General Partner affiliates from such vehicle. In addition, in a Continuation Vehicle structure, the TruArc Transaction Parties could receive Transaction Fees, Breakup Fees and/or Monitoring Fees upon sale of the Transaction Assets and during the life of the Continuation Vehicle, which could incentivize them to act in favor of the Continuation Vehicle.

There can be no assurance that all parallel investment vehicles or investors will be offered the opportunity to participate in a GP-Led Secondary Transaction or that all parallel investment vehicles or investors would receive (or have access to) the same amount of information about the GP-Led Secondary Transaction as other parallel investment vehicles or investors, or as the secondary buyers. Furthermore, if a GP-Led Secondary Transaction is not consummated for any reason, unless otherwise agreed to with the secondary buyers, the relevant Fund will bear 100% of the out-of-pocket broken deal expenses incurred by its General Partner or other General Partner affiliates in connection with the GP-Led Secondary Transaction (which expenses are expected to be substantial).

It is expected that each General Partner would seek to mitigate any conflicts through one or more of the following (or other actions appropriate based on the facts and circumstances): (i) retaining an independent advisor to identify potential institutional investors that have experience in investing in such transactions and would be arm’s-length buyers of the Transaction Assets; (ii) engaging such independent advisor to conduct an extensive price discovery process designed to maximize the purchase price received directly or indirectly by the selling investors; (iii) structuring the GP-Led Secondary Transaction in a manner such that those investors interested in achieving liquidity for their investment in the relevant Fund could receive cash and those investors interested in continuing their participation in the Transaction Assets could remain invested in the Transaction Assets; (iv)

keeping the LP Advisory Committee apprised of the progress of the sale process managed by the independent advisor and/or consulting with or seeking the approval of the LP Advisory Committee with respect to the conflicts of interest associated with the GP-Led Secondary Transaction; (v) making available to investors substantially the same information made available to secondary buyers interested in participating in the bidding process for the GP-Led Secondary Transaction (although the amount of time to be afforded to the investors is expected to be significantly less than those afforded to secondary buyers); and/or (vi) obtaining a fairness or valuation opinion indicating that the consideration being paid in the GP-Led Secondary Transaction is fair from a financial point of view to the relevant Fund or the investors, as applicable. Notwithstanding the foregoing, there is no guarantee a General Partner will undertake any of the foregoing actions in connection with a GP-Led Secondary Transaction (or, even if taken, that such actions will sufficiently mitigate the relevant conflicts of interest).

Notwithstanding the foregoing, each General Partner will retain sole and absolute discretion as to whether to (i) exclude all (or only certain individual) investors from participating in any GP-Led Secondary Transaction and/or (ii) provide access to any information about any GP-Led Secondary Transaction to all (or only certain individual) investors.

#### *Allocation of Expenses; Expense Reimbursements*

The General Partners, the Management Company, the Principals, the other TruArc personnel and one or more other related parties will from time to time incur fees, costs and expenses on behalf of the Funds or Other Client Vehicles and one or more existing or subsequent entities established by the General Partners, the Management Company, the Principals, the other TruArc personnel and one or more other related parties. Although attempts will be made to allocate such fees, costs and expenses on an equitable basis, such allocations will be determined by the relevant General Partner and/or the Management Company, and such matters will not necessarily be brought to the limited partner advisory committee or the investors for discussion or consultation.

To address the allocation of fees, costs and expenses, the Management Company has adopted certain processes and procedures intended to allocate expenses in the manner prescribed by the Fund Offering Documents and the Management Company's internal policies, including procedures to identify and correct misallocations due to error or revised allocation methodologies. However, there is no guaranty that such processes and procedures will identify all or even any misallocations. To the extent misallocations are identified and a Fund has already paid or borne such fees, costs or expenses, any reimbursements of incorrectly applied fees, costs or expenses will necessarily be applied at a later date and therefore such Fund could bear incorrect allocations for an unspecified period of time. Reimbursement to a Fund of any misallocated expenses will generally not include any interest on the principal amount of any misallocations. Although attempts will be made to allocate fees, costs and expenses on an equitable basis, such allocations will ultimately be based on the determinations of the relevant General Partner and/or the Management Company. In some instances, such determinations will be subjective and reasonable minds will disagree.

Without limiting the foregoing, there could be circumstances when the relevant General Partner, the Management Company, the Principals, the other TruArc personnel and/or one or more other related parties consider a potential portfolio investment on behalf of a Fund and initially determine not to pursue such an investment for such Fund, but eventually determines to pursue an investment

in the same potential portfolio investment through any Other Client Vehicle. In these circumstances, such Other Client Vehicle could benefit from the due diligence conducted by the original investment team considering the investment and/or from fees, costs or expenses paid or borne by such Fund in pursuing the potential portfolio investment. Such Other Client Vehicle, however, will not be required to reimburse such Fund for any such fees, costs or expenses. Conversely, if the investment team of any Other Client Vehicle conducts due diligence with respect to a potential portfolio investment of such Other Client Vehicle (and such Other Client Vehicle pays or bears fees, costs or expenses in connection with its pursuit of such investment), but its general partner or its affiliates determine not to pursue that investment and a General Partner determines to pursue an investment through the relevant Fund instead, then such General Partner will be authorized to cause such Fund to reimburse such Other Client Vehicle in respect of all or a portion of such fees, costs or expenses. In addition, where multiple Other Client Vehicles (including for these purposes, a Fund) invest in the same company at different times, the first Other Client Vehicle to invest will typically bear a higher level of diligence and transaction fees, costs and expenses than later Other Client Vehicles; similarly, to the extent a transaction does not proceed, the first Other Client Vehicle to invest will typically bear the full amount of broken deal expenses related to the transaction, regardless of whether other Other Client Vehicles could or would have invested in the company in potential future transactions.

Portfolio companies will typically reimburse the relevant General Partner, the Management Company, the Principals, the other TruArc personnel and one or more other related parties, or Service Providers retained by one or more of the foregoing, for fees, costs and expenses (including, without limitation, fees, costs and expense of the type described in the definition of Travel and Related Expenses) incurred by any of them in connection with the performance of their services or duties in respect of such portfolio company. The portfolio company will determine the amount of these reimbursements for such services in its own discretion, subject to any of its own internal reimbursement policies and practices (although it should be understood that such determination could be influenced, or in certain instances (such as in the context of a TruArc PE Sponsored Investment) controlled, by the Management Company, TruArc personnel or other General Partner affiliates). There can be no assurance, however, that the internal reimbursement policies and practices of such portfolio company will be substantially similar to those employed by the Management Company or as set forth in the relevant Partnership Agreements. Accordingly, it is possible that a portfolio company will reimburse the relevant General Partner, the Management Company, the Principals, the other TruArc personnel or one or more other related parties, or service providers retained by one or more of the foregoing, for fees, costs and expenses that would not be (or are not) reimbursable under the relevant Partnership Agreements or under the Management Company's own reimbursement policies and procedures. In addition, the fees, costs and expenses incurred in connection with any portfolio investment by parties other than the relevant Fund (including, but not limited to, co-investors) are also often borne or reimbursed by the applicable portfolio company, typically (but not necessarily) at the closing of the acquisition of such portfolio investment or at the closing of such co-investment. Such fees, costs and expenses will include the legal, due diligence and other related fees, costs and expenses of co-investors that were incurred by them in connection with their investigation of the applicable co-investment opportunity, as well as their negotiation of their relevant co-investment arrangements, such as the terms and conditions applicable to any co-investment vehicle through which they participate (or any aggregator or similar vehicles formed to facilitate their co-investment) alongside the relevant Fund. In any event, there is no limit or restriction on the amount of reimbursements that could be sought by such persons or

entities, or by any of them on behalf of a co-investor or by a co-investor itself, from any portfolio company and such amounts will generally not be reported to the limited partner advisory committee or the investors. The amount of such reimbursements could be substantial. To the extent that any fees, costs and expenses, including Travel and Related Expenses, incurred in respect of a portfolio company or former portfolio company are not reimbursed by such entities, such fees, costs and expenses will be paid by the relevant Fund.

#### *Service Providers and Fee Arrangements*

Service providers or affiliates of service providers will include: accountants; auditors; administrators (including fund administrators or similar service providers who provide “back-office,” anti-money laundering and “know-your-customer” related services, including anti-money laundering reporting officers); legal counsel and any other attorneys, lawyers and legal professionals (including paralegals, legal assistants and legal interns); financial advisors, brokers, dealers, investment bankers, underwriters, valuation experts, appraisers and other similar professionals; credit providers; tax professionals; consultants (including Operating Team Members, information technology consultants, strategic consultants, management consultants, environmental consultants, “ESG” consultants, public relations consultants, compliance consultants and other subject-matter consultants); due diligence experts; research, data, analytic, business intelligence (including “expert network”), modeling, structuring, pricing and execution service providers; software and related service providers; portfolio accounting and related service providers; placement agents, recruitment agents and finders; local intermediaries; depositories; trustees; agents; custodians and safe-keeping service providers; and any other service providers. Service providers can have business, personal, financial or other relationships with a General Partner, the Management Company or other related parties and may be investors in a Fund, related parties, sources of investment opportunities, co-investors or commercial counterparties.

Service providers will be in a position to provide certain services to a General Partner, the Management Company, one or more of the Principals, other TruArc personnel, other related parties, the Fund and Other Client Vehicles (or their portfolio companies) with respect to non-Fund matters, which creates potential conflicts of interest for such service providers insofar as they also perform work for a Fund or one or more of its portfolio companies. For example, a law firm could at the same time act as legal counsel to a Fund and its portfolio companies, on the one hand, and legal counsel to its General Partner, the Management Company, one or more of the Principals or other TruArc personnel, other related parties or Other Client Vehicles (or their portfolio companies), on the other hand, at the same time but not necessarily on the same terms (including the pricing of services). Further, to the extent such service provider relies or depends on the referrals or direction of a General Partner, the Management Company, one or more of the Principals, other TruArc personnel, other related parties or Other Client Vehicles (or their portfolio companies) for work performed for the relevant Fund or its portfolio companies, such service provider might be inclined to provide better or more resources to (or to offer discounts or better pricing for) the work of such General Partner, the Management Company, one or more of the Principals, such TruArc personnel such Other Client Vehicles (or their portfolio companies) in comparison to work performed for such Fund or any of such portfolio company. The Management Company will also permit one or more of its service providers, or affiliates or personnel of its service providers, to invest in a Fund or in any particular portfolio company, including as a co-investor, which could create further incentive for those service providers to provide better or more resources (or to offer discounts or better pricing



for) to the work of such Fund's General Partner, the Management Company, one or more the Principals, other TruArc personnel or Other Client Vehicles (or their portfolio companies) in comparison to work performed for such Fund or any of its portfolio companies (if, for example, capacity for investment in such Fund is constrained). For example, outside legal counsel to a General Partner and the Management Company, could make such an investment in a Fund. As another example, in the event a portfolio company of a Fund experiences financial distress, its General Partner and the Management Company could be incentivized to cause such Fund to contribute additional capital to such portfolio company in order to maintain relationships with the lenders, which lenders could be creditors of other portfolio companies of such Fund or of Other Client Vehicles. Finally, certain service providers (including Operating Team Members) could have personal investments in current or prospective vendors, advisors or customers of a portfolio company, which creates potential conflicts of interest for such service providers with respect to the advice they provide as to the selection of such vendors, advisors or customers.

The General Partners and the Management Company will address these conflicts of interest by using reasonable diligence to ascertain whether each service provider (including legal counsel and accountants) provides its service on a "best execution" basis, taking into account factors such as expertise, operational and regulatory controls, availability and quality of service and the competitiveness of compensation rates in comparison with other service providers satisfying the Management Company's service provider selection criteria, if any. The Management Company could recommend to a Fund or a portfolio company that it contract for services with such service providers. The receipt of services on preferential terms (including with respect to the pricing of services) with respect to non-Fund matters could influence (or have the appearance of influencing) the Management Company's decisions whether to select such service provider for a Fund or whether to recommend such service provider to a portfolio company. Furthermore, to the extent such service provider relies or depends on the Management Company for such recommendations or selection, such service provider could be conflicted in the course of work that otherwise requires independence or impartiality. In certain circumstances, service providers (including law firms) charge rates or establish other terms in respect of advice and services provided to a General Partner, the Management Company, one or more of the Principals, other TruArc Personnel, other related parties, and Other Client Vehicles (and their portfolio companies) that are different and more favorable (including in terms of pricing) than those established in respect of advice and services provided to a Fund and its portfolio companies.

Without limiting the generality of the foregoing, service providers have occasionally discounted, "capped" or "written-off" their fees (and could continue to discount, "cap" or "write off" fees in the future) for certain services provided to the General Partners, the Management Company, another General Partner affiliate, Other Client Vehicle, co-investment vehicles and/or co-investors that will not be provided to the Funds or any of their portfolio companies. The General Partners, the Management Company, another General Partner affiliate, Other Client Vehicles, co-investment vehicles and/or co-investors will have the sole and absolute discretion over whether to negotiate or enter into such fee arrangements with any service provider and will not necessarily take into consideration whether such fee arrangements will benefit or be available to a Fund or any of its portfolio companies (even though the General Partners, the Management Company, another General Partner affiliate, Other Client Vehicles, co-investment vehicles and co-investors will be permitted to take into consideration whether such fee arrangements could benefit themselves or other affiliated or non-affiliated persons).

In summary, prospective investors should assume that the General Partners, the Management Company, one or more of the Principals, other TruArc Personnel, other related parties, co-investors, co-investment vehicles or Other Client Vehicles (and their respective portfolio companies) will be permitted to receive discounts or be the beneficiary of “caps” or “write-offs” with respect to services that are similar or related to those also provided to a Fund or its portfolio companies, without such discounts, “caps” or “write-offs” benefitting or being available to such Fund or such portfolio companies (it being understood that a portfolio company will generally not enjoy such discounts, “caps” or “write-offs” in any event because it will engage service providers on its own behalf and on independent terms). Such discounted, “capped” or “write-off” fee arrangements for the benefit of the General Partners, the Management Company, other General Partner affiliates, Other Client Vehicles, co-investment vehicles and co-investors should be expected and the possibility of complex conflicts of interest cannot be foreclosed.

#### *Service Providers*

A Fund’s service providers (including, without limitation, deal generators, introducers, lenders, brokers, attorneys and outside directors) may be investors in such Fund or a successor fund and/or sources of investment opportunities therefor and counterparties therewith. This may influence a General Partner in deciding whether to select such a service provider or have other relationships with such party. Notwithstanding the foregoing, a General Partner will only select a service provider to the extent it determines that doing so is in the best interests of the applicable Fund given all surrounding facts and circumstances and is consistent with such General Partner’s responsibilities under applicable law.

In addition, the Firm and one or more portfolio companies will engage common service providers. In such circumstances, there may be a conflict of interest between the Firm, on the one hand, and a Fund and the applicable portfolio companies, on the other hand, in determining whether to engage such service providers, including the possibility that the Firm may favor the engagement or continued engagement of such persons if it receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by such Fund and/or the portfolio companies. The Firm may from time to time receive a discount on services provided to it by such a common service provider even though a Fund and/or one or more portfolio companies may receive a lesser, or no, discount. In addition, different portfolio companies may receive different levels of discounts.

#### *Conflicts with Portfolio Companies*

The Principals or the other TruArc personnel will serve as directors and officers of certain portfolio investments and, in that capacity, will be required to make decisions that consider the best interests of such portfolio investments and their respective shareholders. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of a portfolio investment, actions that are in the best interests of the portfolio investment will not be in the best interests of a Fund, and *vice versa*. Accordingly, in these situations, there will be conflicts of interest between such individual’s duties as a partner, officer or employee of the Management Company and such individual’s duties as a director or officer of such portfolio company. In addition, there could be conflicts between a portfolio company of a Fund and a portfolio company of an Other Client Vehicle. For example, a portfolio company of an Other Client Vehicle could be a competitor, vendor

or customer of one of such Fund's portfolio companies.

*Conflicts due to Investment Activities of Other Client Vehicles; Capital Structure Conflicts; Conflicts with Pre-Existing Investments*

The General Partners, the Management Company, the Principals, the other TruArc personnel and one or more other related parties will have ongoing interests, including economic interests, in Other Client Vehicles and other investment vehicles, companies or businesses (collectively, "Other Businesses"). Such Other Businesses could be invested in or could otherwise have an economic interest in one or more of a Fund's portfolio companies, in competitors of such portfolio companies or in vendors or customers of such portfolio companies. The performance and operation of such Other Businesses could conflict with and adversely affect the performance and operation of a Fund or its portfolio companies and could adversely affect the prices and availability of opportunities or transactions available to such Fund or such portfolio companies. There could also be conflicts between a portfolio company of a Fund and a portfolio company of an Other Client Vehicle. For example, a portfolio company of an Other Client Vehicle could be a competitor, vendor or customer of one of such Fund's portfolio companies or a portfolio company of an Other Client Vehicle could pursue the same acquisition target as a portfolio company of such Fund. Accordingly, such entities and persons will experience a variety of conflicts of interest to the extent that the interests of such Other Businesses would be adversely affected by investment decisions that would otherwise be in the best interest of a Fund or any of its portfolio companies. Similarly, if such entities or persons are faced with investment decisions for such Other Businesses that would be in the best interest of such Other Businesses but would otherwise adversely impact a Fund or any of its portfolio companies, they will nevertheless be incentivized to make such decisions for the benefit of such Other Businesses to the detriment of such Fund or any such portfolio company if they are economically or otherwise incentivized to do so (e.g., due to the prospect of earning more carried interest, management fees or other fees in connection with such Other Businesses).

Each of the Principals and other TruArc personnel are expected to sit (as a director or observer) on the board of directors (or comparable governing body) of more than one portfolio company and/or on the board of directors (or comparable governing body) of one or more portfolio companies of Other Client Vehicles. Such TruArc personnel could express views on investments or market conditions to each such board (or comparable governing body) that will not necessarily be consistent with one another. Such TruArc personnel will also receive confidential information from each such portfolio company and/or portfolio company of an Other Client Vehicle, including information that would be useful to other portfolio companies or portfolio companies of Other Client Vehicles. Receipt of such information could therefore create conflicts of interest for such TruArc personnel. For example, a portfolio company of a Fund and a portfolio company of an Other Client Vehicle could pursue the same acquisition target and the plans of each such company will be known to the individuals who sit on the board of directors (or comparable governing body) of both companies. A conflict of interest that arises solely because TruArc personnel hold multiple board (or comparable) positions at portfolio companies and portfolio companies of Other Client Vehicles will not be deemed material for purposes of the Partnership Agreements.

The types of conflicts described above will be exacerbated when a Fund and one or more Other Client Vehicles invest in (or are invested in) different parts of the capital structure of a particular portfolio company. By way of example only, a Fund and an Other Client Vehicle could hold

interests in the same portfolio company, including investments by SOF in TruArc PE Sponsored Investments. In those circumstances, conflicts of interest will arise if there are questions as to whether payment obligations or covenants of such portfolio company should be enforced, modified or waived, or whether debtor or other similar instruments should be refinanced or restructured and/or what additional securities or other instruments should be issued. Decisions about what actions should be taken in circumstances of financial distress, including whether or not to enforce claims, whether or not to provide additional liquidity and on what terms, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any workout or restructuring will raise conflicts of interest (see more on financial distress below).

Differences in the manner in which a Fund and each investing Other Client Vehicle makes or has made its investment will also raise conflicts of interest. Such Fund and each such Other Client Vehicle may not, for example, invest through the same investment vehicle, have the same access to credit or employ the same hedging or investment strategies, among other differences. This will likely result in differences in price, terms, leverage and associated fees, costs or expenses between or among such Fund and the participating Other Client Vehicles. Further, there can be no assurance that such Fund and the participating Other Client Vehicle(s) will exit such investment at the same time or on the same terms. There can also be no assurance that the return on such Fund's investment will be the same as the returns obtained by other Other Client Vehicles participating in a given transaction regardless of whether such Other Client Vehicles are invested in the same or otherwise *pari passu* security or instrument as such Fund. Given the nature of the relevant conflicts discussed above, there can be no assurance that any such conflict can be resolved in a manner that is beneficial to each of the Funds and the relevant Other Client Vehicles. Actions taken for one or more Other Client Vehicles could adversely affect a Fund and *vice versa*.

In the event that an Other Client Vehicle has a controlling or significantly influential position in a portfolio company (which is expected to be the case with respect to each TruArc PE Sponsored Investment in which SOF invests), it will have the ability to elect some or all of the members of the board of directors (or comparable governing body) of such portfolio company, thereby controlling its policies and operations, including the appointment of management, future issuances of securities, the payment of dividends, the incurrence of debt and the entering of extraordinary transactions. In addition, such Other Client Vehicle is likely to have the ability to determine, or influence, the outcome of operational matters and to cause, or prevent, a change in control of such portfolio company. Such management and operational decisions could, at times, be in direct or indirect conflict with the interests of such Fund and such Other Client Vehicles invested in the same portfolio company, and such Fund and such Other Client Vehicles invested in the same portfolio company are not expected to have the same level of control or influence over such portfolio company. The presence of such investments by one or more Other Client Vehicles in a portfolio company could result in a General Partner exercising the relevant Fund's positions in such portfolio company (or election not to exercise such positions) in a manner that benefits one or more of such Other Client Vehicles to the detriment of such Fund (or otherwise in a manner that is not in such Fund's best interests).

In addition, the involvement of a Fund and different Other Client Vehicles in various equity and debt securities or other instruments in the same portfolio company could inhibit strategic information exchanges among fellow creditors. In certain circumstances, such Other Client Vehicles could be prohibited from exercising voting or other rights, or could be subject to claims

by other creditors with respect to the subordination of their interests. Because of the different legal rights associated with debt and equity securities or other instruments of the same portfolio company, a General Partner, the Management Company, certain TruArc personnel and other related parties will face a conflict of interest in respect of the advice they give to, and the actions they take on behalf of, a Fund versus an Other Client Vehicle (e.g., the terms of debt instruments, the enforcement of covenants, the terms of recapitalizations, and the resolution of workouts or bankruptcies) where such other Other Client Vehicle holds different securities or other instruments. Such persons or entities could express views on a portfolio company in which a Fund and an other Other Client Vehicle hold investments, or views on market conditions more generally, that are not necessarily consistent with one another.

Furthermore, investments by a Fund and different Other Client Vehicles in the same portfolio company also raise the risk of assets of one vehicle being used to support positions taken by another vehicle, or that such Fund and/or an Other Client Vehicle remains passive in a situation in which it is entitled to vote. For example, if a portfolio company needs additional capital as a result of financial or other difficulties, or to finance growth or other opportunities, the Other Client Vehicles invested in such portfolio company may or may not provide such additional capital in circumstances where a Fund is compelled, if not obligated, to make a follow-on investment (or *vice versa*). Conversely, if a Fund does not have sufficient funds, is otherwise limited in its ability to make or simply elects not to make a follow-on investment for any reason (including, for instance, because such Fund has reached its desired “target” hold size or has reached a concentration limitation), its General Partner, the Management Company, or another General Partner affiliate can organize another investment vehicle (including an Other Client Vehicle), or direct an existing Other Client Vehicle, or permit co-investors, to provide all or a portion of the necessary capital. Such Other Client Vehicles could have features substantially similar to or otherwise analogous to a co-investment vehicle and their investment could be effected on terms and conditions substantially similar to or otherwise analogous to those of a co-investment alongside such Fund, including Co-Investment Economics, and any and all management fees, performance fees, carried interest, incentive allocation and the fees, costs, expenses, liabilities and other obligations applicable to (or to be borne in connection with), or any upfront fees, original issue discount, commitment fees, administrative fees, agent fees, advisory fees, consulting fees, closing fees, transaction fees, monitoring fees, directors’ fees, breakup fees and other fees, as applicable, that would otherwise be for the benefit of any General Partner Affiliate or such Other Client Vehicle, will be deemed to constitute Co-Investment Economics for all purposes of the relevant Partnership Agreements. Furthermore, if additional capital is necessary for any of the reasons detailed above, a Fund could decide to provide such capital and such capital could also benefit an Other Client Vehicle that is also invested in such portfolio company. Such Other Client Vehicle could hold securities or other instruments in the portfolio company that are senior to, junior to or *pari passu* with the securities or other instruments held by such Fund, and as such could benefit from the capital provided by such Fund before or to a greater extent than such Fund.

Follow-on Investments where there is differing participation as between a Fund, on the one hand, and an Other Client Vehicle or co-investor, on the other hand, could give rise to, among other things, conflicts of interest in connection with the issuance and valuation of the securities or interests being issued or acquired in connection with such investment (if certain valuations of issuance of additional securities are more likely than not to benefit the Other Client Vehicle or co-investor over such Fund or *vice versa*). As between a Fund and Other Client Vehicles, there can also be differences in timing

of entry into, or exit from, a portfolio company for reasons such as differences in strategy or existing portfolio or liquidity needs. There will also be circumstances where an Other Client Vehicle makes a new or additional investment in a portfolio company or prospective portfolio company in which one or more different Other Client Vehicles also hold an interest but with respect to which only some or none of such Other Client Vehicle(s) elect to make an additional investment (or *vice versa*). The foregoing variations in the activities of the relevant Other Client Vehicles could be detrimental to a Fund and raise conflicts of interest.

For example, the newly investing Other Client Vehicle will have an incentive to achieve the lowest purchase price, which could negatively impact the valuation for the existing investors in such portfolio company, including such Fund (or Other Client Vehicles, as applicable). Further, the Management Company could be incentivized to move an investment from one Other Client Vehicle to such Fund (or *vice versa*) in order to maximize its carried interest or to reduce a potential carried interest clawback. Given the nature of the relevant conflicts discussed above, there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both a Fund and the relevant Other Client Vehicles. In that regard, actions taken for one or more Other Client Vehicles could adversely affect a Fund (or *vice versa*).

In addition, a Fund and an Other Client Vehicle could have different exit objectives with respect to a portfolio company, and/or the management fee basis could be preserved for an Other Client Vehicle as a result of the valuation of the portfolio company increasing following such Other Client Vehicle's new investment. By way of further example, the newly investing Other Client Vehicle will have an incentive to seek the highest interest rate and other favorable terms on interest bearing securities or instruments (e.g., higher original issue discount or better call protection), including Structured Securities, which will be more expensive for the portfolio company and thus potentially negatively impact other Other Client Vehicles invested therein. The issuance of securities to an Other Client Vehicle making a new or additional investment in a portfolio company can be dilutive to an Other Client Vehicle already invested in such company, but such existing Other Client Vehicle could approve such issuance anyway. A Fund may be the Other Client Vehicle in any of the positions described in the foregoing scenarios.

A Fund could make an investment in an entity in which another Other Client Vehicle holds a pre-existing investment or another Other Client Vehicle could make an investment in an existing portfolio company. Any investment by a Fund in an entity in which any Other Client Vehicle has a pre-existing investment (or *vice versa*) could be viewed, particularly in hindsight, to have been made on the basis of a non-arm's-length valuation. Similarly, any Other Client Vehicle could later invest in a portfolio company of a Fund, which could have an effect (either positive or negative) on the market price of such Fund's investment therein. In addition, a Fund could participate in re-leveraging or recapitalization transactions involving portfolio companies in which Other Client Vehicles hold a pre-existing investment (or *vice versa*) or in which they are contemplating an investment. Recapitalization transactions themselves present conflicts of interest, including determinations of whether existing investors are being "cashed out" at a price that is higher or lower than market value and whether new investors are paying too high or too low a price for securities of the applicable company or purchasing securities with terms that are more or less favorable than prevailing market terms. In circumstances in which a Fund makes an investment in an entity in which any Other Client Vehicle holds a pre-existing investment, it should be expected that such Other Client Vehicle will make business decisions relating to such investment (such as, for example,

financing or hedging interest rate, currency or credit risk) independently of the analogous decisions made with respect to such investment by such Fund. This could result in situations where a Fund chooses not to hedge certain risks that the Other Client Vehicle elects to hedge (or *vice versa*), or the possibility that a Fund is exposed to risks of financing on an investment when the Other Client Vehicle is not (or *vice versa*).

Where a Fund and one or more Other Client Vehicles are invested in different parts of a portfolio company's capital structure, conflicts of interests could arise if such portfolio company experiences financial distress. Under such circumstances, it may be in the best interest of a Fund and/or one or more Other Client Vehicles invested therein to aggressively pursue the portfolio company's assets to fully satisfy the portfolio company's obligations or indebtedness to such Fund and/or such Other Client Vehicles, respectively. On the one hand, if such Fund holds securities or instruments that are more senior than those held by one or more Other Client Vehicles, or if such Fund otherwise serves as a creditor (or in a similar capacity) to such portfolio company, then such Fund will have a greater incentive than such Other Client Vehicles to take actions to see those obligations or indebtedness satisfied. In that case, however, and because of the potential harm to such Other Client Vehicle(s)' holdings, such Fund's General Partner, the Management Company, the Principals, the other TruArc personnel or one or more other General Partner affiliates, could nevertheless be disinclined to pursue the portfolio company's assets (or to pursue them as aggressively as might otherwise be the case), even though such Fund's obligations and indebtedness could be satisfied by taking such actions. Conversely, such Fund's General Partner could be incentivized to make riskier or more speculative investment decisions on behalf of such Other Client Vehicles holding more junior securities and instruments with the hopes of extracting value from their junior securities or instruments that are otherwise significantly impaired even though such decisions could be detrimental to the more senior holdings of such Fund. On the other hand, if such Fund holds a portfolio company's more junior securities or instruments and a portfolio company experiences financial distress, such Fund is unlikely to have access to sufficient assets of the portfolio company to completely satisfy its bankruptcy claims, if any, against the portfolio company or to otherwise recover all or a portion of its investment in such portfolio company and, as a result, could suffer a loss. This incentive to forgo or to take investment decisions which could be detrimental to a particular tranche of securities held by a Fund will be more pronounced if such Fund also holds securities or instruments similar to (or even more junior than and including a co-investment alongside) those held by one or more Other Client Vehicles, in addition to its more senior securities or instruments.

Moreover, in a bankruptcy proceeding, the securities held by a Fund (e.g., Structured Securities held by SOF) in a portfolio company could be subordinated or otherwise adversely affected by virtue of an Other Client Vehicle's involvement and actions relating to an investment in the same portfolio company. This could result in a loss or substantial dilution of such Fund's investment in such portfolio company, while the other Other Client Vehicle recovers all or a portion of its investment.

In any event, the application of the relevant Partnership Agreements and the Management Company's policies and procedures, if any, are expected to vary based on the particular facts and circumstances surrounding each investment by a Fund and any Other Client Vehicle or co-investor in different parts of a portfolio company's capital structure (as well as across multiple issuers or borrowers within the same overall capital structure) and, as such, there is likely to be a degree of

variation and potential inconsistencies in the manner in which potential or actual conflicts are addressed at any time and over time.

To the extent a material conflict of interest arises that is not disclosed by the Fund Offering Documents, the General Partners and the Management Company will take actions to resolve such conflict of interest in a manner that they deem to be fair and equitable under the circumstances, or in the collective best interests of all of the relevant Other Client Vehicles (including the relevant Fund) under the circumstances and over time. To the extent a General Partner determines in good faith that any such conflict of interest is material and not previously disclosed, it will consult with the LP Advisory Committee with respect to such conflict, although it should be understood that a conflict will not be deemed material solely because one or more Other Client Vehicles invests in a portfolio company in which a Fund holds (or intends to hold) an interest, solely because such Fund invests in a portfolio company in which one or more Other Client Vehicles hold (or intend to hold) an interest or solely because various Other Client Vehicles expect to exit the relevant investment at different times from such Fund and/or one another.

Nevertheless, there can be no assurance that any such conflicts of interest will be resolved in a manner that is fair and equitable to a Fund or any of its portfolio companies. Prospective investors should not assume that such conflicts between or among a Fund and Other Client Vehicles (e.g., conflicts pertaining to the allocation of investment opportunities or expenses) will necessarily be resolved in a manner that favors a Fund as compared to Other Client Vehicles. Prospective investors should also not assume that such conflicts are more likely to be resolved in a manner that favors a Fund if such Fund also holds securities or instruments similar to (or even more senior than) those held by (or if such Fund has otherwise co-invested alongside) Other Client Vehicles, in addition to its more junior securities or instruments.

#### *Joint Venture Partners*

A General Partner or the Management Company could cause a Fund to enter into “joint venture” vehicles, platforms or similar arrangements whereby such Fund’s investment activities are operated in cooperation or conjunction with one or more operating partners (including one or more Operating Team Members) or management team members, in each case, with respect to the management of specified portfolio investments or categories of portfolio investments. In connection therewith, such partners or management team members could receive compensation, including management fees or carried interest or other incentive or performance-based compensation, in vehicles through which such joint ventures invest. A Fund could also hold certain portfolio investments through investment vehicles managed in whole or in part by such partners or management team members where such Fund’s General Partner or the Management Company has determined such structure to be necessary or appropriate for a variety of reasons (including legal, tax, regulatory, accounting, commercial or other reasons).

To the extent such joint ventures represent bona fide investment arrangements with respect to the management of specified portfolio investments or categories of portfolio investments (such as “platforms” or similar arrangements), such ventures will not constitute “blind pool” investment funds for purposes of the respective Partnership Agreement. As such, any compensation to such partners or management team members, which will reduce a Fund’s returns from the relevant portfolio investments, will not offset carried interest distributions, distributions with respect to



“incentive capital contributions” or management fees paid to its General Partner or the Management Company and will increase the cost of the investors’ investment in such Fund. In addition, to the extent a dispute arises between a General Partner or the Management Company and any such partners or management team members, the relevant Fund’s portfolio investments relating thereto will likely be affected adversely.

#### *Enhanced Relationships with Certain Investors*

In some cases, current, past or prospective investors will directly or indirectly (by way of example only, through an affiliate) provide financing, insurance, advisory or other services to a General Partner, the Management Company, other related parties, a Fund, Other Client Vehicles or one or more of their respective portfolio companies. To the extent a General Partner, the Management Company, any such other related parties, a Fund, any such Other Client Vehicle or any such portfolio company is seeking a provider of such services, they will be incentivized to procure such services from a current, past or prospective investor (or one of its affiliates) on a basis other than best execution, best price or other similar basis.

Such investors will also be aligned with the relevant General Partner, the Management Company, such other related parties, the relevant Fund, such Other Client Vehicle or one or more of their respective portfolio companies in a manner that could give rise to conflicts of interest to the extent such investors are represented on the limited partner advisory committee. Prospective investors should expect that certain investors will have such enhanced relationships with the relevant General Partner, the Management Company, other related parties, the relevant Fund or Other Client Vehicles or one or more of their respective portfolio companies and that such relationships will give rise to both known and unknown conflicts of interest for such General Partner, the Management Company, such other General Partner affiliate and such investors. It is also possible that family members of certain existing and prospective investors could, from time to time, be employed by a General Partner, the Management Company, other General Partner affiliates, a Fund, Other Client Vehicles or one or more of their respective portfolio companies. It may not be possible to mitigate such conflicts of interest and a Fund or one or more of its portfolio companies could be harmed as a result.

#### *SOF Investments in TruArc PE Sponsored Investments*

The SOF General Partner expects that a portion of the SOF’s portfolio will consist of investments where one or more TruArc PE Funds has or have the right to appoint a majority of the members of the board of directors (or other similar governing body) (a “TruArc PE Sponsored Investment”). Generally, two primary conflicts will exist in a TruArc PE Sponsored Investment: (i) pricing, including the incentive for the Management Company to undervalue or underprice the Structured Securities for the benefit of the holders of the common equity (i.e., a TruArc PE Fund) and the incentive for the Management Company to overvalue or overprice the Structured Securities for the benefit of the Fund; and (ii) misalignment of interests when a TruArc PE Fund’s investment in common equity is impaired and the Fund’s Structured Security is not. See “*Conflicts due to Investment Activities of Other Client Vehicles; Capital Structure Conflicts; Conflicts with Pre-Existing Investments*” above for more information on conflicts that arise where a portfolio company is in financial distress. TruArc has established policies and procedures set forth in the Fund Offering Documents for SOF to mitigate conflicts in situations where SOF is investing in a TruArc PE

Sponsored Investment. These policies and procedures include that the SOF General Partner use commercially reasonable efforts to ensure that at least 15% of the entire tranche of the Structured Securities underlying such TruArc PE Sponsored Investment in which SOF is investing is acquired by one or more third-party Co-Investors (each, an “Eligible Co-Investor,” and that where procured, such Eligible Co-Investor must approve: (x) the price and other material terms and conditions of its and SOF’s Structured Security investment, and (y) the manner in which any voting rights with respect to SOF’s holdings of such Structured Security investment (including with respect to amendments or modifications to the terms and conditions of SOF’s investment therein) are exercised. The possibility of complex conflicts of interest on the part of the Eligible Co-Investor cannot be foreclosed, and the foregoing is not intended to be an exhaustive list of such conflicts.

## **Item 12 Brokerage Practices**

### *Brokerage Practices*

We do not make regular use of brokers for the purposes of purchasing or selling publicly traded securities on behalf of the Fund because the securities that we typically purchase or sell on behalf of the Fund are acquired and/or disposed of in privately negotiated purchase and sale transactions.

From time to time, we may use a broker to effect transactions in public securities resulting from, or in connection with portfolio investments. In those instances, we have full discretionary authority with respect to the selection of, and the commissions paid to, brokers. If we determine to engage a broker, we will select the broker considering the range and quality of its brokerage services, its execution capability, commission rate, financial responsibility and responsiveness to us, and the value to us of research provided, if any. In order to minimize execution costs and obtain best execution for Funds and Other Client Vehicles managed by TruArc, we may aggregate orders for multiple Funds and/or Other Client Vehicles, as long as aggregating would be in the best interests of each participating Funds and/or Other Client Vehicle.

### *Soft Dollars*

TruArc does not currently utilize any soft dollar benefits or client referrals from broker-dealers in connection with investment transactions.

### *Allocation of Investment Opportunities*

The Management Company will, from time to time, be presented with investment opportunities that fall within the investment objectives of a Fund and Other Client Vehicles. As such, certain conflicts will arise in the allocation of investment opportunities and in connection with the acquisition and/or disposition of portfolio investments by such Fund. However, until the earliest of (i) the full investment date; (ii) the expiration or termination of the commitment period or (iii) the date that a Fund has been dissolved or terminated, each prospective investment opportunity identified by its General Partner, the Management Company or the principals that is within the scope of such Fund’s overall investment objectives and where the amount available to be invested by such Fund is in excess of \$10 million (with respect to Fund IV) or \$5 million (with respect to SOF), will be made available to such Fund before being offered to any other person (excluding, for these purposes, any opportunities (A) in which such Fund cannot invest due to its investment limitations; (B) in which

such Fund cannot invest because such investment could require the consent, approval or review of the limited partner advisory committee or of the investors; (C) which were not made available to the relevant General Partner, the Management Company, any principal or any of their respective affiliates, or any employee of such General Partner, the Management Company or any of their respective affiliates, for investment by such Fund (including, but not limited to, solely with respect to SOF, opportunities that have been made available to such person(s) for investment by a TruArc PE Fund); (D) solely with respect to SOF, which arise as part of (or in connection with) a TruArc PE Fund considering, making or acquiring a TruArc PE Sponsored Investment; (E) that are follow-on investment opportunities related to an existing investment of an Other Client Vehicle or (F) which the relevant General Partner determines in good faith are not in the best interests of such Fund).

Subject to Fund IV's Governing Documents and without limiting the exclusions described above, with respect to any additional fund of Fund IV for which an initial closing of investors has been held prior to the expiration of Fund IV's commitment period, the Fund IV General Partner intends to allocate investment opportunities that meet the investment objectives of Fund IV and such additional fund on a basis which the Fund IV General Partner believes is fair and equitable. However, the Fund IV General Partner will obtain the approval of the limited partner advisory committee with respect to the relevant terms of the investment by Fund IV in any portfolio investment in which an additional fund with overall investment objectives substantially similar to those of Fund IV is contributing more than fifty percent (50%) of the aggregate amount of capital invested by Fund IV and such additional fund at the time of such investment.

Subject to SOF's Governing Documents and without limiting the exclusions described above: (a) subject to clause (b) below, with respect to any Other Client Vehicle that has one or more investment objectives or guidelines in common with those of SOF in any respect, the SOF General Partner generally intends to allocate investment opportunities that are within such common objectives and guidelines between SOF, on the one hand, and such Other Client Vehicle(s), on the other hand, in a manner consistent with the terms and conditions of the governing agreement(s) of such Other Client Vehicle and otherwise on a basis which the SOF General Partner believes is fair and equitable over time in accordance with the Management Company's then-applicable allocation policies and procedures (which could include the allocation of a Structured Security investment opportunity solely to such Other Client Vehicle(s) and not to SOF, or the allocation of a Structured Security investment opportunity between SOF and such Other Client Vehicle(s), in each case, even in circumstances where such investment constitutes the only Structured Security investment opportunity under consideration by SOF); and (b) unless otherwise approved by the LP Advisory Committee of SOF, with respect to any permitted additional fund whose overall investment objectives are substantially similar to those of SOF, (i) such additional fund will be permitted to co-invest alongside SOF in investment opportunities suitable for SOF on the same terms and conditions in all material respects, and (ii) until the full investment date, as between SOF and such additional fund, amounts for investment will be allocated first to SOF and then to such additional fund (to the extent determined appropriate by the SOF General Partner in its sole discretion), subject to the Management Company's then-applicable allocation policies and procedures. For the avoidance of doubt, after the full investment date, SOF will be permitted to co-invest alongside one or more such additional funds on a basis consistent with the principles described in the foregoing clause (a) until SOF has dissolved and liquidated.

Reinet will be permitted to co-invest in all or substantially all of the portfolio investments alongside Fund IV through TruArc Fund IV Co-Invest, a Delaware limited partnership which will constitute a co-investment vehicle (and not, for the avoidance of doubt, a parallel investment vehicle or alternative investment vehicle of Fund IV). Reinet's commitment to such vehicle is equal to 20% of its commitment to Fund IV, and its participation therein will be made on a "no carried interest" and "no management fee" basis. No other limited partner or other investor will participate through TruArc Fund IV Co-Invest. Without limitation to the disclosures set forth above, the allocation of portfolio investments (and associated Expenses) between Fund IV and TruArc Fund IV Co-Invest has been, and going forward is generally expected to be determined as follows: (a) portfolio investments (and associated Expenses) made prior to the final closing will be allocated 95% to Fund IV and 5% to TruArc Fund IV Co-Invest and (b) portfolio investments (and associated Expenses) made after the final closing will be allocated to Fund IV and TruArc Fund IV Co-Invest pro rata based on then-actual capital commitments to such vehicles. Expenses associated with portfolio investments have been and going forward are expected to be allocated in the same manner. The allocation methodology set forth in the preceding clause (a) is intended to approximate a pro rata allocation based on the anticipated relative final sizes of Fund IV and TruArc Fund IV Co-Invest, respectively, as of the final closing. Given that the size of TruArc Fund IV Co-Invest is now fixed while the size of Fund IV has increased and will continue to increase until the final closing, such allocation methodology has resulted and, until the aggregate commitments to Fund IV and TruArc Fund IV Co-Invest equals or exceeds \$1 billion, will result in, Fund IV being allocated a greater share of portfolio investments (and associated Expenses) made prior to the final closing than would be the case if such portfolio investments (and associated Expenses) were allocated between Fund IV and TruArc Fund IV Co-Invest based on then-available capital commitments or then-actual capital commitments as of the date of investment.

Because Reinet's commitment to TruArc Fund IV Co-Invest is now fixed and since the aggregate capital commitments of Fund IV and TruArc Fund IV Co-Invest are less than \$1.0 billion as of the final closing, TruArc Fund IV Co-Invest will be under-allocated with respect to portfolio investments that were made prior to the final closing (when compared to the allocation that would prevail as a result of the application of the post-final closing allocation methodology described in clause (b) above).

In connection with any sale or purchase transaction between Fund IV and TruArc Fund IV Co-Invest pursuant to the foregoing disclosure, the amount of Expenses associated with the relevant portfolio investment(s) that are borne by Fund IV, on the one hand, and TruArc Fund IV Co-Invest, on the other hand, could be similarly adjusted.

Subject to the foregoing limitations, any allocation of investment opportunities between a Fund and any Other Client Vehicle will typically take into account the sourcing of the transaction, the nature of the investment focus of such Fund and such Other Client Vehicle, the relative amounts of aggregate commitments of such Fund and such Other Client Vehicle or the capital available from each of such Fund and such Other Client Vehicle for investment, the nature and extent of involvement in the transaction on the part of the respective teams of investment professionals, any requirements, guidelines or restrictions contained in the Fund Offering Documents and such Other Client Vehicle, the "life cycle" status (e.g., remaining term) of such Fund and such Other Client Vehicle, the potential future need for additional capital with respect to the investment, the risk profile and portfolio construction of such Fund and such Other Client Vehicle, the targeted rate of

return (if any) of such Fund and such Other Client Vehicle, the structural and operational differences between such Fund and such Other Client Vehicle, the eligibility of such Fund and such Other Client Vehicle to make such investment under applicable laws and regulations, the suitability of such investments as a follow-on investment for a current investment by such Fund or such Other Client Vehicle, the availability of other suitable investments for such Fund and such Other Client Vehicle, cash flow considerations and other considerations deemed relevant by the relevant General Partner and the Management Company in good faith. Such allocation would also take into account whether such Other Client Vehicle elects not to invest in such opportunity (whether because it elected not to do so, due to insufficient capital or otherwise). There could also be circumstances when a General Partner and/or other General Partner affiliates consider a potential portfolio investment on behalf of a Fund and determine not to pursue such investment for such Fund, but ultimately determine to pursue an investment in the same potential portfolio company (whether in the same securities considered by the Fund or otherwise) through another Other Client Vehicle or *vice versa*. Where an investment opportunity falls within the investment guidelines of more than one Other Client Vehicle, including a Fund, it is possible that such Fund will not receive any of the relevant investment opportunity depending on the relevant facts and circumstances (by way of example only, if the opportunity in question was offered solely to or sourced and diligenced by TruArc personnel entirely on behalf of an Other Client Vehicle in the context of an investment that was otherwise within the scope of such Other Client Vehicle's investment strategy). In particular, prospective investors should expect that, in circumstances where an investment opportunity could reasonably be allocated to either to the SOF or to a TruArc PE Fund, then such TruArc PE Fund will have priority over SOF with respect to such opportunity. Neither notice to nor approval of the LP Advisory Committee will be required in the foregoing circumstances.

#### *Principal Transactions*

TruArc does not anticipate entering into principal transactions, where we or any of our affiliates purchase or sell any security for our own account from or to the account of any Fund. In the event that we (or our affiliates) may engage in a principal transaction, we will obtain the approval of the applicable Fund's limited partner advisory committee.

#### *Cross Transactions*

TruArc is not affiliated with a registered broker-dealer and as such cannot engage in agency cross transactions. While unlikely, we may engage in a cross transaction, where one Fund purchases or sells any security for its own account from or to the account of another Fund. Procedures and requirements for cross transactions are further addressed in the Fund Offering Documents.

### **Item 13    Review of Accounts**

Generally, each week, the investment professionals review all transactions on the Active Pipeline Report, including investments in various stages of diligence and portfolio companies. These meetings are designed to be highly interactive and cover all aspects of ongoing transactions. The group discussions tap into the collective knowledge of the Firm's professionals, allowing each deal team to contribute to, and benefit from, these meetings. With respect to transactions in process, the investment professionals discuss due diligence findings, potential transaction structures, industry dynamics and competitive landscapes. In addition, nonbinding letters of intent are discussed and

reviewed in detail. With respect to active portfolio companies, the relevant deal team discusses recent company developments. The Investment Committee provides final approval for transactions after the completion of due diligence, transaction documentation and receipt of financial commitments from financing sources.

TruArc reviews all investments on an ongoing basis. Investors receive unaudited quarterly financial statements, audited annual financial statements and annual tax information for the completion of income tax returns. Investors also receive as part of the quarterly package portfolio company reviews. The fund administrator provides accounting (including maintaining limited partner capital accounts), administrative and tax services, including any alternative investment vehicles, parallel investment vehicles and holdings vehicles, to the extent applicable.

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

TruArc has engaged a third-party placement agent to introduce prospective investors to Fund IV. The fees and expenses of any third-party placement agents will be paid by Fund IV, but will be reimbursed by TruArc by offsetting management fees payable by Fund IV.

## **Item 15 Custody**

All cash and any applicable publicly traded securities for the Funds are held in custody by unaffiliated qualified custodians. TruArc maintains custody of certain privately issued securities in accordance with the SEC's guidance for private securities. However, TruArc has access to client accounts since it or an affiliate serves as General Partners of Fund IV and SOF. The Funds are subject to an annual audit by an independent public accountant that is registered with and periodically inspected by the Public Company Accounting Oversight Board ("PCAOB"). Investors in each Fund are provided with annual audited financial statements, prepared in accordance with GAAP, within 120 days of such Fund's fiscal year end.

## **Item 16 Investment Discretion**

TruArc provides discretionary investment advice to Fund IV and SOF, in each case, pursuant to an investment management agreement. The investment management agreement, together with the management authority granted to the Fund IV General Partner and SOF General Partner, provides TruArc with full discretion to determine investments to be purchased and sold on behalf of Fund IV and SOF and the terms of the related transaction. TruArc's investment discretion is subject to Fund IV's and SOF's Fund Offering Documents.

## **Item 17 Voting Client Securities**

While the securities evidencing the private equity or Structured Security investments (as applicable) made by the Funds are not typically the subject of proxies, there could be certain circumstances where TruArc, having discretionary authority over the accounts of the Funds, may be asked to vote the securities of such Funds on restructuring or other corporate matters. TruArc will seek to ensure that a record of each securities position held by each Fund is maintained and, where any such vote is to occur, TruArc will seek to ensure that it receives all relevant information, disclosure materials

and such proxies or consents as are necessary for TruArc to cast votes in a timely manner.

TruArc will also determine where there is, or appears to be, a material conflict of interest that could influence the voting decision in a manner that would be adverse to the interests of a Fund. If TruArc determines that there is no material conflict of interest, then we will make the voting determination and take the required voting action. If TruArc determines that, due to a conflict of interest, TruArc is not capable of making an independent determination as to the voting decision, then the voting decision will be that recommended by the applicable limited partner advisory committee.

A copy of the proxy voting policy and voting records will be provided to any investor and prospective investor upon request.

## **Item 18 Financial Information**

TruArc has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.

## **Item 19 Requirements for State-registered Advisers**

Not applicable.