

PART 2A OF FORM ADV
FIRM BROCHURE

STONE POINT CAPITAL

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March 31, 2018

This firm brochure (“Brochure”) provides information about the qualifications and business practices of Stone Point Capital LLC (“Stone Point”). If you have any questions about the contents of this Brochure, please contact Jacqueline Giammarco, Chief Compliance Officer, at 203-862-2900 or jgiammarco@stonepoint.com. The information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission or by any state securities authority. References to Stone Point as a “registered investment adviser” do not imply a certain level of skill or training.

Additional information about Stone Point is also available on the website of the U.S. Securities and Exchange Commission at www.adviserinfo.sec.gov.

Item 2. Material Changes

No material changes have occurred since the last annual update of the Brochure dated March 31, 2017.

Except as otherwise specified, all information set forth or referenced in this Brochure is as of the date hereof. Subject to the requirements of the Investment Advisers Act of 1940, as amended (the “*Advisers Act*”), and other applicable laws, Stone Point is under no obligation to update any such information.

We encourage all recipients to read this Brochure carefully and in its entirety.

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Item 4. Advisory Business

General

Stone Point Capital LLC (“*Stone Point*” or the “*Firm*”), a Delaware limited liability company, is an investment adviser with its principal office located in Greenwich, Connecticut. The Firm provides investment advisory services directly and through certain affiliated entities (the “*Advisory Affiliates*”) to pooled investment vehicles (the “*Funds*”). Certain affiliates of the Firm serve as general partners of the Funds (the “General Partners”).

Stone Point was established in 2005. Prior to the formation of Stone Point, most of the principals of the Firm worked together at MMC Capital, Inc., an investment adviser owned by Marsh & McLennan Companies, Inc. Stone Point acquired substantially all of the assets, and hired substantially all of the employees, of MMC Capital, Inc. on May 31, 2005. Stone Point is principally owned by SPC Field Partners LLC, which is wholly owned by Charles A. Davis, Stephen Friedman, James D. Carey, David J. Wermuth and Nicolas D. Zerbib, each a senior principal of Stone Point and a member of the Investment Committee.

Fund Structure

The Firm serves as investment manager of the Funds and to certain co-investment vehicles established in connection with and invested alongside the Funds, all based on the investment objectives, policies and restrictions contained in the limited partnership agreement or similar constitutional documents of each Fund as well as any side letters or similar agreements entered into between certain Fund investors and the applicable Funds (collectively, “*Governing Agreements*”).

The Funds invest primarily in private equity, equity-related, debt and other securities in accordance with the investment guidelines established for such Funds. Funds established primarily for investors not affiliated with the Firm are referred to as the “Institutional Funds” in this Brochure, and Funds established to allow employees and consultants of the Firm and certain other individuals to invest in, or co-invest with, the Institutional Funds are referred to as the “Affiliated Funds” in this Brochure. Affiliated Funds may include investors who are not “affiliates” as such term is defined by the Advisers Act.

Each Institutional Fund typically co-invests in, and divests of, each investment made by such Institutional Fund in parallel with one or more other Funds, including the Affiliated Funds (each such group, a “*Fund Group*”). The co-investment arrangement among the members of each Fund Group is generally established pursuant to the Governing Agreements of the applicable Funds in connection with the formation of the Funds in such Fund Group.

All Funds are exempt from registration under the Investment Company Act of 1940, as amended (the “*Investment Company Act*”), pursuant to Section 3(c)(1) and/or Section 3(c)(7) of the Investment Company Act. Interests in the Institutional Funds are only offered to investors that are (a) “*accredited investors*,” as defined in Regulation D of the U.S. Securities Act of 1933, as amended (the “*Securities Act*”), and (b) “qualified purchasers” for purposes of Section 3(c)(7) of the Investment Company Act. Interests in the Affiliated Funds are offered to investors that are accredited investors, qualified purchasers or knowledgeable employees of the Firm who meet the sophistication standard.

Advisory Services

The Firm’s services include investigating, analyzing, structuring and negotiating potential portfolio company investments on behalf of the Funds, managing and monitoring the performance of those portfolio companies and advising the Funds as to disposition opportunities.

As noted above, the Funds invest primarily in private equity, equity-related, debt and other securities and obligations (including preferred equity, subordinated debt and similar securities) in the global financial services industry. The Funds may also invest in derivative financial instruments and may utilize leverage in connection with their investment strategies, subject to certain limitations. Investments in portfolio companies may be made directly or indirectly by investing through one or more partnerships or other entities or by causing certain investors to invest through one or more affiliated partnerships or other entities. The investment guidelines of each Fund are memorialized in the applicable Governing Agreements. As discussed more fully in Item 7, the Firm is permitted to, but does not currently, provide investment advice to certain other investment vehicles other than the Funds.

Persons reviewing this Form ADV Part 2A should not construe this as an offering of any of the Funds described herein.

Investment Restrictions

The Firm generally utilizes the same strategies for all of its Funds. However, the Firm will tailor its advisory services to the specific investment objectives and strategies of a specific Fund. Any investment restrictions applicable to a Fund are memorialized in the applicable Fund Governing Agreements. It should be noted that the Firm does not tailor its advisory services to the individual investment objectives and strategies of Fund investors.

The rights, duties and obligations of the investors in the Funds are set out, and the treatment of the investors in the Funds is described, in the Funds' Governing Agreements. In that connection, the general partner of each Fund may enter into separate agreements, commonly referred to as "side letters," or other similar agreements with a particular investor in connection with its admission to the Fund without the approval of any other investor, which would have the effect of establishing rights under or supplementing the terms of the applicable Fund's partnership agreement with respect to such investor in a manner more favorable to such investor than those applicable to other investors. Such rights or terms in any such side letter or other similar agreement may include, without limitation, (i) economic arrangements (including alternative fee or other compensation arrangements), (ii) opting out of particular investments, (iii) reporting obligations of the Fund, (iv) transfer to affiliates, (v) co-investment opportunities, (vi) withdrawal events, (vii) consent rights to certain amendments to the applicable Fund's partnership agreement and (viii) indemnification arrangements. If a side letter is entered into entitling an investor in a Fund to opt out of a particular investment or withdraw from such Fund, any election to opt out or withdraw by such investor may increase each other investor's pro rata interest in that particular investment (in the case of an opt-out) or all future investments (in the case of a withdrawal), which may have an adverse effect on such investor's investment results. The investors in the Funds will have no recourse against the Funds or any of its affiliates in the event that certain other investors receive additional or different rights or terms as a result of such Side Letters. Certain investors that have the benefits of a "most favored nation" provision are given the opportunity to elect the rights and terms in any side letter or other similar agreement that are applicable to such investors.

Management of Client Assets

As of December 31, 2017, the Firm managed \$16,796,884,097 of client assets, all on a discretionary basis.

Item 5. Fees and Compensation

Firm Compensation

As compensation for its services, the Firm typically receives management fees from Institutional Funds ("Management Fees"). Affiliated Funds typically do not pay such fees. Management Fees may be waived by the Firm and, under certain circumstances, are subject to reduction.

Management Fees are typically paid quarterly in advance and on a *pro rata* basis for any period that is less than a full quarter period. Generally, during an Institutional Fund's investment period, the Management Fee payable to the Firm is based upon the aggregate capital commitments of the Institutional Fund's unaffiliated limited partners. Following the end or termination of the investment period, the Management Fee is generally based on the outstanding invested capital of such unaffiliated limited partners. Management Fees payable by an Institutional Fund are deducted from cash held by such Fund following the funding of undrawn capital commitments by unaffiliated investors in such Fund, or the withholding of such amounts from proceeds otherwise distributable by such Fund, in each case in accordance with such Fund's Governing Agreements. If the Firm does not provide services for the full period in respect of which such Management Fees are paid, the Firm will return a *pro rata* portion of such Management Fees calculated based on the number of days remaining in the applicable time period.

The Management Fee payable to the Firm may vary but current Institutional Funds generally pay 1.5% per annum, and, in certain circumstances, reductions may apply based on certain factors, including the size of a capital commitment made to an Institutional Fund by an unaffiliated limited partner.

Supervised persons of the Firm (and the Investor described below) are also generally entitled to receive, typically through a direct or indirect ownership interest in the General Partner of an Institutional Fund, a performance allocation ("*Carried Interest*") as described in greater detail in Item 6 below.

In certain limited situations, the Firm may also receive advisory, monitoring and certain other transaction-related fees from portfolio companies of a Fund Group ("*Ancillary Fees*"). All such fees are dealt with in accordance with the Funds' Governing Agreements, which typically provide that all or a substantial portion of the applicable Fund's share of those fees will be applied to reduce the Management Fees payable to the Firm by the relevant Fund. Funds that do not pay a Management Fee (such as the Affiliated Funds) do not receive the benefit of such reduction or otherwise share in such fees. Any Ancillary Fees that are not applied to reduce the Management Fees are retained by the Firm.

It should be noted that detailed disclosure about the fees applicable to the Funds is included in the Governing Agreements related to the Funds (which should be carefully reviewed prior to investment).

Minority Investor

At the end of 2012, the Firm sold a minority interest in the Firm to an institutional investor (the "*Investor*"). The interest sold represents less than 25% of the carry and net management company interest in the Funds. The Investor does not participate in the Firm's investment process or the day-to-day management of the Firm.

Operating Partners and Senior Advisors

The Firm's Operating Partners and Senior Advisors support the senior management team and generally bring to the Firm experience gained from having served in operating roles of financial services firms. While Operating Partners and Senior Advisors are not necessarily retained exclusively by the Firm, outside activities are monitored to manage potential conflict of interests. Generally, Operating Partners and Senior Advisors enter into a consulting arrangement with the Firm and compensation consists of a consulting fee, an annual discretionary supplemental fee and/or participation in the Carried Interest. In the event an Operating Partner or Senior Advisor serves in an executive, employee or other operating position at a portfolio company, that Operating Partner or Senior Advisor will be eligible to receive compensation from the portfolio company for such services. Any such compensation received by an Operating Partner or Senior Advisor (other than, generally, directors fees received from a non-public portfolio company by an Operating Partner or Senior Advisor who is also a supervised person) will generally be retained by such persons, and will not benefit the Fund or the investors in the Fund.

In addition, Operating Partners and Senior Advisors may co-invest through a vehicle established for employees of, and consultants to, the Firm, to invest side-by-side with the Funds. As described elsewhere in Item 10 below, such employee co-investment funds will pay no Management Fee and no Carried Interest and will invest in portfolio companies of the Funds at the same time and on terms no more favorable than those of the Funds. Occasionally an Operating Partner or Senior Advisor may also be given the opportunity to invest in a specific portfolio investment.

Broken Deal Expenses.

The Funds' investments may require extensive due diligence activities prior to acquisition, and the related expenses may be quite substantial. These expenses may include, among others, due diligence and legal costs, and bid preparation and submission costs. Such expenses will generally be borne solely by the Funds (except for amounts that are treated as manager expenses under the applicable fund partnership agreement), even if co-investors were being sought and, in some cases, agreed, to participate had the transaction been consummated or if co-investors have participated in other completed transactions.

Allocation of Fees and Expenses

Each Fund bears offering and organizational expenses subject, in certain cases, to a maximum amount set forth in such Fund's Governing Agreements. In the case of an Institutional Fund, organizational expenses in excess of any such maximum will be borne by such Fund but will be subject to a 100% offset against the Management Fee payable by such Fund.

In the event the Firm needs to engage the services of a custodian, broker or dealer, the Funds will bear the costs for any such services, as discussed in Item 12 below. In accordance with the terms of each Fund's Governing Agreements, other expenses borne by a Fund generally include the following:

- expenses incurred in connection with the acquisition, holding and disposition of investments by such Fund, including certain legal, travel and other expenses;
- third-party advisor and out-of-pocket expenses incurred in connection with transactions evaluated on behalf of, but not consummated by, such Fund;
- legal, auditing, consulting and accounting expenses of such Fund, including expenses incurred for the preparation of financial statements and tax returns for such Fund;
- bank fees, taxes and governmental charges applicable to such Fund;
- placement agent fees, if any, incurred in connection with the formation of such Fund, subject to a 100% offset against the Management Fees of such Fund; and
- extraordinary expenses of such Fund (such as litigation).

The Firm and its Advisory Affiliates are responsible for the expenses of providing their services to the Funds, including the Firm's overhead, facilities and employee compensation expenses and, in the case of certain Funds, unreimbursed travel expenses, costs of insurance for the Firm and its Advisory Affiliates and annual meeting expenses, in each case to the extent allocable to the activities of such Funds. As noted above, to the extent that expenses relating to the activities of a Fund Group are borne by the Firm and are not otherwise reimbursed by such Fund Group, a portfolio company of such Fund Group or otherwise, the Firm may be entitled to be reimbursed for such expenses to the extent that the Firm receives Ancillary Fees or certain other fees from portfolio companies of such Fund Group.

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

As noted above, the Firm is compensated for the investment advisory services it provides to the Institutional Funds through Management Fees and may also receive Ancillary Fees from portfolio companies of the Funds. In addition, supervised persons of the Firm (and the Investor described above) typically are entitled to receive, often through a direct or indirect ownership interest in the General Partner of an Institutional Fund, Carried Interest in respect of each unaffiliated investor in such Fund that is

generally up to 20% of each such investor's profit from each investment made by such Fund, subject to (i) the satisfaction of a preferred internal rate of return, compounded annually, and (ii) recoupment of prior net losses, expenses and fees by such investor in such Fund. Carried Interest is subject to clawback from the General Partner under certain circumstances.

Different effective rates of Carried Interest among Fund Groups may create differing incentives for the Firm, including in allocating investment opportunities among such Fund Groups. This conflict is mitigated by the fact that, as a general matter, the Firm will only be selecting investments for a single primary Fund Group at any given time. As a primary Fund Group nears the end of its investment period, the Firm may raise a new Fund Group and, in the circumstances where the predecessor Fund Group has sufficient remaining capital for investments, the Firm will allocate investments between the predecessor Fund Group and the new Fund Group in good faith and in accordance with the Firm's allocation policy, which is set forth in the Firm's compliance manual (the "*Compliance Manual*").

The Carried Interest may create an incentive for the Firm to invest a Fund's capital more speculatively than would otherwise be prudent in an effort to generate higher performance-based compensation. However, this incentive is mitigated in part by the substantial financial commitment that the Firm's personnel make to the Affiliated Funds.

Item 7. Types of Clients

As described in Item 4 above, currently the Firm's sole clients are the Funds. The Firm provides investment advice to the Institutional Funds and Affiliated Funds directly and through certain of its Advisory Affiliates. In general, the minimum initial capital commitment by an unaffiliated investor to an Institutional Fund is \$1 million, and by an affiliated investor to an Affiliated Fund is \$100,000, although higher minimums may be established, and individual commitments of lesser amounts may be and have been accepted, in each case at the discretion of the applicable General Partner.

Pursuant to the management agreement between the Firm and the Funds and the partnership agreement of the Funds, the Firm is permitted to engage independently or with others in other investments or business ventures of any kind. In that regard, to the extent not prohibited by the partnership agreement, the Firm may provide investment advice to other investment vehicles, in addition to the Funds. The Firm does not currently provide investment advice to investment vehicles other than the Funds.

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

Methods of Analysis and Investment Strategies

As a general matter, the Firm utilizes the methods of analysis and investment strategies detailed in the Governing Agreements of a Fund, where detailed information concerning the Firm's investment strategies with respect to each Fund can be found. The information contained in this Brochure is a summary only.

Investment ideas typically are generated internally through research and analysis. In connection with identifying, evaluating and analyzing investment opportunities for the Funds, investment professionals of the Firm also generally draw upon their professional experience in relevant industries and contact with industry executives, established business relationships and independent consultants and advisors.

The Funds take control and minority positions, either individually or as lead member of, or participant in, a consortium of investors. Target investments include both privately held and public companies, as well as certain asset pools, generally via private transactions. A core part of the investment process often involves developing a relationship with the senior executives and key shareholders of a potential investee company. In most cases, the Fund will obtain board representation, observer rights or other types of management or shareholder rights.

The Firm is flexible with respect to the types of transactions that it pursues, including buyouts from corporate parent organizations and financial investors and purchases of majority or significant minority stakes from owner-operators seeking a private equity partner to help them continue to build their business. In addition to investing in service-oriented, cash flow companies, the Firm has made substantial investments in balance sheet-oriented companies primarily in response to dislocations in the financial services space. These investments have historically been undertaken as start-ups or buyouts from, or investments in, established companies.

Certain Risks Relating to the Investment Strategies of the Funds

The Funds' investment strategies present a high degree of risk that investors should be prepared to bear. More detailed information concerning the Firm's investment strategies and the material risks related thereto appears in the private placement memoranda and the Governing Agreements of the Funds, and those documents should be carefully reviewed prior to making an investment.

Set forth below is a summary of the material risks applicable to the Firm's investment strategies.

- ***Difficulty of Locating Suitable Investments.*** There can be no assurance that there will be a sufficient number of suitable investment opportunities satisfying the investment objectives of the Funds to enable a Fund to invest all of its committed capital, or that such investment opportunities will lead to completed investments by such Fund. Identification of attractive investment opportunities is difficult and the availability of investment opportunities generally will be subject to market conditions and the prevailing regulatory and economic climate.
- ***Nature of Investment.*** Investments in the Funds typically require a long-term commitment, with no certainty of return of capital. There is likely to be little or no near-term cash flow available to investors in the Funds. Many of the Funds' investments will be highly illiquid, and it is expected that investors in the Funds will achieve liquidity on their investments only when they receive interim distributions and upon termination of the Funds. Moreover, there can be no assurance that the Funds will be able to realize on such investments in a timely manner. Dispositions of such investments may require a lengthy time period or may result in distributions in kind to investors in the Funds.
- ***Business and Regulatory Risks of Alternative Asset Funds.*** Legal, tax and regulatory changes could occur that may adversely affect the Funds at any time during their respective terms. The legal, tax and regulatory environment for funds that invest in alternative investments is evolving, and changes in the regulation and market perception of such funds, including changes to existing laws and regulations and increased criticism of the private equity and alternative asset industry by some politicians, regulators and market commentators, may adversely affect the ability of the Funds to pursue their investment strategy, their ability to obtain leverage and financing and the value of investments held by the Funds. In recent years, market disruptions and the dramatic increase in the capital allocated to alternative investment strategies have led to increased governmental as well as self-regulatory scrutiny of the alternative investment fund industry in general, and certain legislation proposing greater regulation of the industry periodically is considered by the European Union and the governing bodies of both U.S. and non-U.S. jurisdictions. It is impossible to predict what, if any, changes may be instituted with respect to the regulations applicable to the Funds, the General Partner, the Firm, their respective affiliates, the markets in which they trade and invest, the investors in the Funds or the counterparties with which they do business, or what effect such legislation or regulations might have. There can be no assurance that the Funds, the General Partner, the Firm or their respective affiliates will be able, for financial reasons or otherwise, to comply with future laws and regulations, and any regulations that restrict the ability of the Funds to implement their investment strategy could have a material adverse impact on the Funds' portfolio.

As a registered investment adviser under the Advisers Act, the Firm is required to comply with a variety of periodic reporting and compliance related obligations under applicable U.S. federal and

state securities laws (including the obligation of the Firm and its affiliates to make regulatory filings with respect to the Funds and their activities under the Advisers Act (including Form ADV and Form PF)). In addition, the SEC and other various U.S. federal, state and local agencies may conduct examinations and inquiries into, and bring enforcement and other proceedings against, the Funds, the General Partner, the Firm or their respective affiliates. The Funds, the General Partner, the Firm or their respective affiliates may receive requests for information or subpoenas from the SEC and other state, federal and non U.S. regulators from time to time in connection with such inquiries and proceedings and otherwise in the ordinary course of business. These requests may relate to a broad range of matters, including specific practices of the General Partner, the Firm, the securities in which the Firm invests on behalf of its clients or industry wide practices. Following the Dodd-Frank Wall Street Reform and Consumer Protection Act in 2010 (“*Dodd-Frank Act*”), the U.S. Securities and Exchange Commission (the “*SEC*”) has particularly scrutinized the private equity industry, including conducting a number of examinations and bringing a number of enforcement actions particularly focused on the private equity industry. In light of the heightened regulatory environment in which the Firm operates and the increased regulatory burdens applicable to private investment funds and their investment advisers, it has become expensive and time consuming for the Firm and its affiliates to comply with such regulatory reporting and compliance related obligations. The costs of any such increased reporting, registration and compliance requirements may be borne by the Funds and may furthermore place the Funds at a competitive disadvantage to the extent that the Firm or portfolio companies are required to disclose sensitive business information. Any further increases in the regulatory burdens applicable to private investment funds generally or the Funds, the General Partner or the Firm in particular may result in increased expenses associated with the Funds’ activities and additional resources of the Firm being devoted to such regulatory reporting and compliance related obligations, which may reduce overall returns for investors in the Funds or have an adverse effect on the ability of the Funds to effectively achieve their investment objectives. Therefore, there can be no assurance that any continued regulatory scrutiny or initiatives will not have an adverse impact on the Funds’ activities, including the ability of the Funds to achieve their investment objectives.

- ***Competitive Nature of the Fund’s Business.*** The business of the Firm is highly competitive. The Firm expects to encounter competition from other entities having similar investment objectives, including other private equity funds, strategic industry acquirers, business development companies, investment partnerships and corporations, and other financial investors. In addition, other financial institutions (particularly banks) are now able to own insurance companies and to engage in insurance-industry related services as a result of the U.S. Gramm-Leach-Bliley Act of 1999 (the “*Gramm-Leach-Bliley Act*”), which eliminated many legal barriers to affiliations among banks, insurers, securities firms and other financial services providers. The Gramm-Leach-Bliley Act may have the effect of increasing competition in the insurance industry. Some of these competitors may have more relevant experience and contacts or better resources than the Firm. Such other investors may make competing offers for investment opportunities that are identified, and even after an agreement in principle has been reached with the board of directors or owners of an acquisition target, consummating the transaction will be subject to myriad uncertainties, only some of which are foreseeable or within the control of the Firm. To the extent that the Funds encounter competition for investments, yields to investors in the Funds may be reduced.
- ***Market Risks.*** General economic conditions may affect the Funds’ activities. Interest rates, the price of securities and participation by other investors in the financial markets may also affect the value of securities purchased by and the number of investments made by the Funds.
- ***Financial Services Industry Risks.*** Many financial services companies have asset and liability structures that are essentially monetary in nature and are directly affected by many factors, including domestic and international economic and political conditions, broad trends in business and finance, legislation and regulation affecting the national and international business and financial communities, monetary and fiscal policies, interest rates, inflation, currency values, market conditions, the availability and cost of short-term and long-term funding and capital, the

credit capacity or perceived creditworthiness of customers and counterparties and the level and volatility of trading markets. Such factors can adversely impact financial institutions and their customers, suppliers, service providers and counterparties, all of whom are potential investment targets for the Funds. Moreover, the financial services industry is highly dependent on technology and communications and information systems, is exposed to many types of operational risks and operates in a highly regulated environment; each of these factors could have an adverse impact on financial institutions and their customers and counterparties.

- ***Economic and Political Environment.*** Over the last ten years, the U.S. economy has generally recovered from the depths of the financial crisis. The S&P 500 has reached new record levels and leverage loan and high yield issuance has surged as investors once again are pursuing yield in the protracted low interest rate environment. While there appear to be some similarities to the run-up to the financial crisis, there has also been a sweeping overhaul of the U.S. financial regulatory system, resulting in increased oversight, transparency and accountability. In general, corporations have strong balance sheets and record profitability, banks have more tangible capital to absorb losses and the housing market does not appear to be overheated. Regulatory changes and credit cycles lead to dislocations in the various markets in which the Firm invests, and provide an ever-changing landscape that inevitably will be different from the ones faced when investing prior funds. While the overarching fundamentals still appear to be generally favorable, the Firm remains cognizant of the fact that we are ten years into a benign credit environment, and as a result are wary of potential cracks in the economy, both from a corporation and consumer standpoint. The Firm may explore counter-cyclical opportunities that could benefit in a more challenging economic environment as well as on business services that stand to grow in today's regulatory landscape. On the political front, the Firm is consistently wary of changes that could result in market volatility; areas of heightened focus include trade wars, China and the evolving Brexit/Euro situation. The Firm will continue to closely monitor the economic and political environment with a particular focus on protecting the downside.

It is uncertain whether regulatory actions will be able to prevent further losses and volatility in securities markets, or stimulate the credit markets. The Funds may be adversely affected by the foregoing events, or by similar or other events, including tax reform, in the future. In the longer term, there may be significant new regulations that could limit the Funds' activities and investment opportunities or change the functioning of the capital markets, and there is the possibility of a severe worldwide economic downturn. Consequently, the Funds may not be capable of, or successful at, preserving the value of its assets, generating positive investment returns or effectively managing risks.

The activities of the Funds could be materially adversely affected by the instability in the U.S. and/or global financial markets and/or changes in market, economic, political, and/or regulatory conditions, as well as by numerous other factors outside the control of the Firm, the investors in the Funds and their respective affiliates.

The threats of terrorist strikes, and the fear of prolonged conflict in the Middle East and elsewhere, have exacerbated volatility in the financial markets and caused consumer, corporate and financial confidence to weaken, increasing the risk of a "self-reinforcing" economic downturn. While new opportunities for portfolio companies may arise in the insurance and reinsurance industries as a result of catastrophic events and financial market problems, the climate of uncertainty may have an adverse effect upon the portfolio companies in which the Funds make investments. Economic and political uncertainty also increases the difficulty of modeling market conditions, which may reduce the accuracy of the Firm's financial projections. The performance of the Funds' portfolio companies may be affected by additional catastrophic events.

- ***Investments in Banks and Depository Institutions.*** The Funds may make investments in banks and depository institutions, which are subject to a comprehensive and ongoing regulatory regime that may not be associated with other investments. Because of various requirements under the applicable regulatory regime, such investments may have to be made as non-control investments.

In making such a non-control investment, the Funds (i) would have limited ownership rights and would have limited governance rights with respect to such bank or depository institution and (ii) may be required to execute passivity commitments or a rebuttal of control agreement with the applicable regulators. In addition, regulatory guidelines governing investments in banks and depository institutions are changing. The Funds may make investments in banks and depository institutions in a manner that is designed to comply with, or take advantage of, such changes in regulation or structure, which may be less advantageous to the Funds than other investment structures.

- ***Cyclical***. Certain sectors targeted by the Funds are highly cyclical and subject to significant fluctuation due to competition, the high level of government regulation, general economic conditions, the level of interest rates, the state of the public equity markets and other factors. The returns on the Funds' investments may therefore be lower in certain periods. In particular, the financial performance of the property & casualty insurance industry has tended to fluctuate in cyclical patterns of soft markets followed by hard markets. Although an individual insurance company's financial performance depends in part upon its own specific business characteristics, the profitability of most property & casualty insurance and reinsurance companies tends to follow this cyclical market pattern. The Firm expects the Funds to continue to experience the effects of this cyclical market pattern, which, during down periods, could have an adverse impact on the business of property & casualty insurers and reinsurers in which the Funds invest.
- ***Insurance Industry Regulation***. The insurance industry is heavily regulated by a number of different regulators. Such regulation usually includes: (i) regulating premium rates, policy forms and lines of business; (ii) setting minimum capital and surplus requirements and prescribing methods of measuring capital and surplus; (iii) imposing guaranty fund assessments and requiring residual market participation; (iv) licensing insurance companies and insurance agents and brokers; (v) approving accounting methods and methods of setting reserves; (vi) setting requirements for and limiting the types and amounts of investments; (vii) establishing requirements for the filing of annual statements and other financial reports, corporate governance disclosures and enterprise risk reports; (viii) conducting periodic examinations of the affairs of insurance companies; (ix) limiting the amount of dividends that may be paid by an insurance company without prior notice and approval; (x) regulating transactions between an insurance company and its affiliates; and (xi) regulating trade practices and market conduct of insurance companies, agents and brokers. Such regulation and supervision are primarily for the benefit and protection of policyholders and not for the benefit of investors.

In the United States and other jurisdictions, the insurance regulatory structure, as well as the regulatory structure applicable to other types of financial institutions, has been subject to increased scrutiny by applicable governmental and regulatory authorities. Adoption of additional legislation, regulations or changes in applicable legislation and regulations already in place may adversely affect insurance companies and their results and therefore the results of the Funds. Further, prior to acquiring significant positions in certain regulated companies, the Funds will be required to obtain various regulatory approvals. There can be no assurance that the Funds will be able to obtain the requisite approvals with respect to any particular investment. In addition, uncertainty regarding future legislation as well as regulatory and other investigations may complicate the Firm's ability to value potential investments and/or may affect exit opportunities and contingent liabilities upon the disposition of an investment.

- ***Foreign Investments***. The Funds will accept subscriptions and will maintain its books and records in dollars although the Funds may invest a significant portion of its capital outside of the United States (and in various foreign currencies). Investment in foreign securities involves certain factors not typically associated with investing in U.S. securities, including risks relating to: (i) currency exchange matters, including fluctuations in the rate of exchange between the dollar and the various foreign currencies in which the Funds' foreign investments are denominated, and costs associated with conversion of investment principal and income from one currency into

another; (ii) differences between the U.S. and foreign securities markets, including potential price volatility in and relative liquidity 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; (iii) certain economic, social and political risks, including potential exchange control 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; and (iv) the possible requirement of financing and structuring alternatives and exit strategies that differ substantially from those commonly used in the United States. In addition, the Funds and the investors in the Funds could become subject to additional or unforeseen taxation in foreign jurisdictions in which the Fund invests, and changes to taxation treaties (or their interpretation) between the jurisdiction of an investors in a Fund and the countries in which such Fund invests may adversely affect the tax treatment of such investor. The foregoing factors may increase transaction costs and adversely impact the value of the Funds' investments in non-U.S. portfolio companies.

- ***Risks of Investments in Portfolio Companies.*** Certain of the Funds' investments may be in portfolio companies with little or no operating history, unproven technology, untested management, and unknown future capital requirements. These companies may face intense competition, often from established and more experienced companies with much greater financial and technical resources, more marketing and service capabilities, and a greater number of qualified personnel, including in certain cases affiliates of the Firm. Investments in financial services companies may be made by creating newly formed start-up vehicles. Such vehicles are subject to the other risks described herein and additional risks due to the specialized nature of the businesses and the need to identify a skilled management team. The Funds' portfolio companies also may compete with new market entrants, including possibly other companies with which the Firm or its affiliates have a relationship, including an advisory or investment relationship.
- ***Co-investment with Third Parties.*** The Funds may co-invest in portfolio companies with third parties (including the Firm and its affiliates) through partnerships, joint ventures or other arrangements. Such investments may involve risks not present in investments where a third party is not involved, including the possibility that a third party co-venturer or partner may at any time have economic or business interests or goals that are inconsistent with those of the Funds or may be in a position to take action contrary to the Funds' investment objectives. In addition, the Funds may under certain circumstances be liable for actions of their third party co-venturers or partners.
- ***Minority Investments.*** The Funds may make minority investments, or may make investments in "club" deals alongside funds sponsored by other private equity firms, in portfolio companies where the Funds may not have the right to appoint a director or otherwise be able to control or effectively influence the business or affairs of such entities. The entity in which a Fund's investment is made may have economic or business interests or goals that are inconsistent with those of such Fund, and such Fund may not be in a position to limit or otherwise protect the value of its investment in the portfolio company. In addition, although the Funds may seek board representation in connection with investments, there is no assurance that such representation, if sought, will be obtained. In all such cases, the Funds will rely significantly on the existing management and boards of directors of portfolio companies, which may include representatives of investors with whom the Funds are not affiliated and whose interests may conflict with the interests of the Funds.
- ***Follow-On Investments.*** The Funds may make follow-on investments in certain portfolio companies or have the opportunity to increase an investment in certain portfolio companies. There can be no assurance that a Fund will wish to make follow-on investments or that it will have sufficient funds to do so. Any decision by a Fund not to make follow-on investments or its inability to make them may have a substantial negative impact on a portfolio company in need of such an investment or may diminish such Fund's ability to influence the portfolio company's

future development.

- ***Risks Upon Disposition of Investments.*** In connection with the disposition of an investment in a portfolio company, the Funds may be required to make representations about the business and financial affairs of such portfolio company typical of those made in connection with the sale of any business, or may be responsible for the contents of disclosure documents under applicable securities laws. The Funds may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents turn out to be incorrect, inaccurate or misleading. These arrangements may result in contingent liabilities, which might ultimately have to be funded by the investors in the Funds to the extent of their commitments or to the extent that the investors in the Funds have received prior distributions from the Funds.
- ***Dependence on Key Personnel.*** The success of the Funds depends in substantial part on the experience and expertise of the Firm and its investment team. There can be no assurance that any individual will continue to be employed by the Firm throughout the term of the Funds. The loss of key personnel could have a material adverse effect on the Funds.
- ***Duties of the Firm and the Investor's Rights.*** The Firm has been engaged to provide the Funds (and not any individual investor) with portfolio management and certain administrative services. As such and to the fullest extent permitted by law, an investor in the Funds will not have direct rights against the Firm and the Firm does not represent or owe any duty to any individual investor in the Funds in connection with its appointment to provide such services.
- ***No Right to Control the Fund's Operations.*** Investors in the Funds will have no opportunity to control the day-to-day operations of the Funds, including investment and disposition decisions. In order to safeguard their limited liability from the liabilities and obligations of the Funds, investors in the Funds must rely on the general partners in the Funds and the Firm's ability to identify, structure and implement investments consistent with the investment objectives and policies of the Funds.
- ***Defined Benefit Pension Liabilities.*** A recent court decision has increased the likelihood that the Funds could be jointly and severally liable with its portfolio companies for the portfolio companies' defined benefit pension liabilities. Under ERISA, a trade or business that owns at least 80% of another entity may be jointly and severally liable for that other entity's unfunded pension liabilities if the plan terminates or if the employer withdraws from contributing to the plan. A recent Federal appeals court decision has held that a private equity fund is a "trade or business" for these purposes. In acquiring portfolio companies with unfunded pension liabilities, both the risk of this liability being incurred as well as risk mitigation strategies will be evaluated and, in appropriate instances, this risk may cause the Funds to not pursue an otherwise attractive investment opportunity or to limit its ownership percentage to below the 80% threshold.

The following sets forth a summary of the material risk areas related to the types of securities invested in by the Firm.

- ***Investments by the Funds.*** The securities in which the Funds will invest generally will be the most junior in what typically will be a complex capital structure, and thus subject to the greatest risk of loss. Certain of the Funds' investments may be in public companies and in leveraged companies that, by their nature, require companies to undertake a high ratio of fixed charges to available income. Such investments are inherently more sensitive to declines in revenues and to increases in expenses. Since the Funds may make only a limited number of investments, and since the Funds' investments generally will involve a high degree of risk, poor performance by a few of the investments could severely affect the total returns to investors in the Funds. The types of securities in which the Funds invest and the material risks associated therewith are described in greater detail in the private placement memoranda and the Governing Agreements of the Funds.

- ***Risks of Investing in a Fund.*** In addition to the foregoing risks, investing in a Fund presents certain risks, including, but not limited to, the following: dependence on the skill of the Firm; lack of control over operations of the Fund; the Firm's right to be indemnified by a Fund and to pursue remedies against limited partners that default on their obligations to a Fund; absence of regulatory oversight; risks related to leverage; certain tax risks; and risks associated with potential conflicts of interest. In addition, interests in the Funds have not been registered under the Securities Act, or any other securities laws, and it is not contemplated that such registration will ever be effected. There is no public market for interests in the Funds and none is expected to develop. In addition, interests in a Fund are not transferable except with the consent of the General Partner of such Fund, which may be withheld and is subject to the terms and conditions of the Governing Agreements of such Fund. Investors in a Fund generally may not withdraw capital from such Fund, and investors in a Fund may not be able to liquidate their investments prior to the end of the Fund's term.
- ***Lack of Operating History.*** Each new Fund and General Partner established in connection with an offering has no operating history upon which to evaluate such Fund's likely performance. The performance of the investment team's past portfolio investments is not necessarily indicative of the results that will be achieved by any new Fund.
- ***Purchase of "New Issues."*** The returns to the investors in the Funds on their investments in the Funds may differ depending upon whether or not they are deemed by the general partner of each Fund to be New Issues Restricted Persons whose ability to participate in the allocations of the profit and loss attributable to New Issues may be restricted, in whole or in part. The determination of whether an investor in the Fund is subject to the FINRA prohibition on participation in New Issues is governed by complex rules promulgated by FINRA. The interpretation and application of these rules may result in a determination regarding New Issues eligibility that may be unexpected or unfavorable to an investor in the Fund. While the general partner of each Fund, with the assistance of counsel, will make such determinations in good faith and in its sole discretion, there can be no guarantee that any investor in the Fund will not be a New Issues Restricted Person.
- ***Difficulties Upon Exit.*** The Funds' investments will be subject to various risks, particularly the risk that the Funds will be unable to realize its investment objectives by sale or other disposition at attractive prices or be unable to complete any exit strategy. Dispositions of investments may be subject to contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any disposition thereof. There can be no assurance that a public market will develop for any of the Funds' investments or that the Funds will otherwise be able to realize such investments. Therefore, there can be no assurance that the Funds will realize net profits or achieve returns commensurate with the risks associated with its investments, or that the Funds will not experience losses in its investments, which may be substantial.

Item 9. Disciplinary Information

Neither the Firm nor any of its supervised persons have been subject to any legal or disciplinary events that would be material to its business or to an investor or prospective investor's evaluation of the Firm or the integrity of its professionals.

Item 10. Other Financial Industry Activities and Affiliations

Except as described below, neither the Firm nor any of its "management persons" have relationships or arrangements with related persons who are financial industry participants that are material to the Firm's business or that create a material conflict of interest with the Funds or their investors.

General

The General Partners are affiliated with the Firm by common ownership. In addition, the Firm is affiliated with certain other operating businesses as a result of personal investments – see “*Personal Investments*” below. Should conflicts of interest arise in the context of these relationships, they will be addressed in accordance with the Compliance Manual, described in further detail in Item 11 below, and in the Governing Agreements of the Funds, as applicable.

Please also note, however, that the Funds generally invest in the global financial services industry, which includes all financial institutions as well as their customers, suppliers, service providers and counterparties. As a result, the Funds (including the Affiliated Funds) may, from time to time, own investments in one or more of the following types of companies and businesses: (i) broker-dealer, municipal securities dealer, or government securities dealer or broker; (ii) investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund); (iii) other investment adviser or financial planner; (iv) futures commission merchant, commodity pool operator or commodity trading advisor; (v) banking or thrift institution; (vi) accountant or accounting firm; (vii) lawyer or law firm; (viii) insurance company or agency; (ix) pension consultant; (x) real estate broker or dealer; and (xi) sponsor or syndicator of limited partnerships. Also, the Funds on occasion make investments in asset management businesses that offer investment products to clients. In certain cases, the Funds will invest in the investment products offered by such asset management businesses in addition to, or in connection with, their investment in the asset management business itself. As noted above, the Firm believes that these investments do not create a material conflict of interest with clients and do not result in a relationship or arrangement by the Firm or any of its management persons with any related person that is material to the Firm’s advisory business or to the clients of the Firm. In addition, the Firm does not believe that any such investment by the Funds creates a material conflict of interest given that (x) the Firm and its principals do not receive any compensation from the portfolio company for the placement of the investment by the Funds and (y) the employees of the Firm co-invest, *pro rata*, in any such investment through their commitments to the Affiliated Fund that invests in, or co-invests with, the applicable Institutional Fund.

Personal Investments

Certain members of the Firm have made personal investments, including in certain cases in operating businesses. Such operating businesses are run independently and not subject to day-to-day oversight by the Firm, and include investments in investment management firms that target opportunities in (a) commercial real estate in the United States (Ivy Realty), (b) debt securities and other credit instruments (Sound Point Capital Management) and (c) multi-family apartment buildings in the United States (BH Management Services).

In connection with the investment in Ivy Realty, in which certain members of the Firm collectively have a 24.9% interest, Stephen Friedman serves as a member of the investment committee.

In connection with the investment in Sound Point Capital Management, in which certain members of the Firm collectively have a 34.5% interest, James D. Carey serves as a member of the board of managers of Sound Point Capital Management, but is not a member of the committee that makes investment decisions for the funds and other vehicles managed by Sound Point Capital Management. Sound Point Capital Management has provided investment management services to certain portfolio companies of the Funds in the ordinary course of business. The Funds’ partnership agreements permit an affiliate of the Firm to provide services to a portfolio company of the Funds if certain parameters are met. The Firm believes that the fees payable to Sound Point Capital Management are commercially reasonable and not less favorable than could be obtained in arm’s length negotiations. However, the Firm mitigates this conflict through disclosure, by following certain procedures and by seeking the approval of the Funds’ Board of Advisors, if applicable, in accordance with the relevant partnership agreements. In addition, each portfolio company who has engaged Sound Point follows its own set of procedures, and if a Firm employee is also a director of that portfolio company, such employee recuses him/herself from decisions relating to the engagement of

Sound Point Capital Management.

Certain members of the Firm collectively have a 38% interest in BH Management Services. BH Management Services has and may in the future provide services to a portfolio company of the Funds in the ordinary course of business. The Firm believes that the fees payable to BH Management Services are commercially reasonable and not less favorable than could be obtained in arm's length negotiations. However, the Firm mitigates this conflict through disclosure, by following certain procedures and by seeking the approval of the Funds' Board of Advisors, if applicable, in accordance with the relevant partnership agreements.

The Firm employees execute confidentiality agreements acknowledging that, other than in connection with his or her responsibilities as an employee of the Firm, he or she is not permitted to share information with a third party about the Firm, the Funds or the Funds' portfolio companies.

Other Transactions with Prospective and Actual Investors

The Firm and its affiliates from time to time engage in transactions with prospective and actual investors that provide economic and business benefits to such investors and the Firm and its affiliates. Such transactions may be entered into prior to or coincident with an investor's admission to a Fund or during the term of their investment. The nature of such transactions can be diverse and may involve the Funds, other funds managed by the Firm and their respective portfolio companies. Examples include the ability to co-invest alongside funds managed by the Firm, recommendations to underwriters for allocations in initial public offerings, a broad range of commercial transactions in the ordinary course of business with such investors and portfolio companies, and the purchase or disposition of interests to or from portfolio companies.

Co-Investments

The Firm may offer co-investment opportunities pursuant to the terms of the partnership agreement of the Funds, is not expected to offer co-investment with respect to all Fund investments and may allocate any such opportunities among interested parties in its sole discretion, including for example (and without limitation), on the basis of the size of investor commitments to funds managed by the Firm, vehicles and accounts as well as a broad range of other considerations, including commercial considerations for the applicable portfolio investment, an investor's stated desire to participate in co-investments, the Firm's determination of the appropriateness of offering a co-investment opportunity, an investor's ability to execute such offer and the approval of transaction counterparties. There can be no assurances with respect to the amount of any co-investment opportunity that will be made available in connection with the Funds, and nothing in the fund documentation constitutes a guarantee, prediction or projection of the availability of future co-investment opportunities. Investing in the Funds does not entitle any investor in the Funds to allocations of co-investment opportunities and such opportunities may, and typically will, be offered to some and not other investors in the Funds or to third parties who are not investors in the Funds. In addition, an investor may be offered fewer co-investment opportunities than investors with the same or smaller capital commitments in funds managed by the Firm, and some investors may receive no such offers while other investors with capital commitments of the same or lower amount may receive substantial offers for such opportunities. The Funds may provide interim financing for the purpose of bridging a potential co-investment (but only to the extent that the Funds would have been permitted to make such investment). Investors in the Funds are not required to participate in co-investments offered by the Firm. The Firm notes that, subject to restrictions in the investors in the partnership agreement of the applicable Funds, affiliates of the Firm may co-invest with the Funds. The performance of co-investments is not aggregated with that of the Fund, including for purposes of determining the general partner's Carried Interest or Management Fees under the investors in the partnership agreement of the applicable Funds. The actual number of co-investment opportunities made available to investors in a Fund may be significantly higher or lower than those made available in connection with other funds managed by the Firm. The Firm may or may not charge Management Fees, one time funding fees and/or Carried Interest in respect of co-investments, as it determines in its sole discretion, subject to the terms of any applicable agreements.

with investors. The allocation of any co-investment opportunities may directly or indirectly benefit the Firm as a result of, among other things, the receipt of any such fees or Carried Interest, capital commitments to the Funds. Unlike co-investment vehicles that co-invest in all the Fund investments (such as the co-investment vehicle for professionals of the Firm), co-investors in one or more specific investments will not necessarily be required to share in broken-deal expenses that are paid by the Funds, either with respect to a co-investment opportunity that is not consummated or with respect to other potential investments that may be offered to the Funds. The Firm has had a historical practice of, whenever obtaining sponsor warrants for participating in co-investment opportunities, allocating such warrants to funds managed by the Firm. The Firm expects to continue this practice, but there is no guarantee such sponsor warrants will become available to the Funds.

Service Providers

Certain advisors and other service providers, or their affiliates, (including accountants, administrators, lenders, bankers, brokers, attorneys, consultants, investment or commercial banking firms and certain other advisors and agents) to the Funds or their portfolio companies may also provide goods or services to or have business, personal, political, financial or other relationships with the Firm and/or its principals and employees. Such advisors and service providers may be investors in the Funds, affiliates of the Firm, sources of investment opportunities or co-investors or counterparties therewith. These relationships may influence the Firm in deciding whether to select or recommend such a service provider to perform services for a Fund or a portfolio company (the cost of which will generally be borne directly or indirectly by such Fund or such portfolio company, as applicable). In certain circumstances, advisors and service providers, or their affiliates, may charge different rates or have different arrangements for services provided to the Firm or its respective affiliates as compared to services provided to the Funds and their portfolio companies, which may result in more favorable rates or arrangements than those payable by the Funds or such portfolio companies.

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

Code of Ethics

The Firm has adopted a Code of Ethics (the “Code”) designed to meet the requirements of Rule 204A-1 of the Advisers Act and to ensure that the Firm fulfills its role as a fiduciary to the Funds.

The Code requires supervised persons of the Firm to act in the best interests of the Funds, act in good faith and in an ethical manner, avoid conflicts of interests with the Funds to the extent reasonably possible and identify and manage conflicts of interest to the extent that they arise. Supervised persons of the Firm are also required to comply with applicable provisions of the federal securities laws and make prompt reports to the Firm or another appropriate party of any actual or suspected violations of law by the Firm or its employees or affiliates. In addition, the Code sets forth formal policies and procedures with respect to the personal securities trading activities of the Firm’s supervised persons. The Code requires that supervised persons pre-clear certain public and private personal securities transactions, report all securities transactions on at least a quarterly basis and provide the Firm with a summary of securities holdings on at least an annual basis. The Firm’s Compliance Manual also addresses outside activities of supervised persons, conflicts of interest, policies and procedures concerning the prevention of insider trading, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment items and the pre-clearance and reporting of political contributions.

In addition, the Firm’s Compliance Manual includes provisions relating to the handling of confidential information, a prohibition on insider trading, a prohibition on disseminating market rumors, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, restrictions and reporting obligations relating to making political contributions, and anti-money laundering and sanctions policies, among other matters. The Firm’s Chief Compliance Officer is responsible for

obtaining annual certifications from all supervised persons that they have acted in accordance with the policies and procedures set forth in the Compliance Manual during the previous calendar year.

All supervised persons receive periodic training as necessary regarding the Firm's personal securities trading policies and related matters. In addition, supervised persons must annually confirm that they have read and understand the Firm's Compliance Manual, including the personal securities trading policy.

Upon request, the Firm will provide a copy of the Code to any Fund or investor in any Fund or to any prospective client or prospective investor in any Fund.

Participation or Interest in Client Transactions

Certain conflicts that may be encountered in the course of the Firm's activities for or on behalf of the Funds are described in Items 5, 8 and 10 above and reference is made thereto.

The Funds are private equity funds and, as such, typically do not engage in short-term trading of public securities. However, from time to time the Funds may invest in public companies and certain investments in private companies may become public. The Code includes provisions that prohibit supervised persons of the Firm from buying or selling securities that to his or her knowledge (i) the Firm is buying or selling for the Funds (until such buying or selling is completed or canceled) and (ii) securities that the Firm is actively considering on behalf of the Funds.

From time to time, certain related persons to the Firm, including its employees, may invest in securities of a company in which a Fund has a pre-existing investment. Any such investment would be made in accordance with the Firm's personal securities trading policy, as set forth in the Code, to ensure potential conflicts of interest are managed accordingly.

Although the Code (and the Governing Agreements) generally prohibits supervised persons of the Firm from investing in or holding securities of a Fund portfolio company outside of the Fund, such investments may be permitted in certain circumstances, including, for example, (i) indirectly through investments in Affiliated Funds managed by the Firm in accordance with the Governing Agreements of the Funds, (ii) with the permission of a Fund's Board of Advisors in connection with investment products offered by portfolio companies as described below or (iii) in connection with service by an employee of the Firm as a director or employee of a portfolio company.

In addition, the Governing Agreements of the Funds address in detail certain other reasonably anticipated potential conflicts. For example, the Governing Agreements generally:

- preclude the Firm or an affiliate of a general partner of the Funds from providing services to a Fund or a portfolio company unless such fees or other compensation payable to such affiliate are commercially reasonable and not less favorable than could be obtained in arm's length negotiations with third parties for similar services and, in certain cases, the Board of Advisors consent to the engagement;
- preclude the Funds from entering into contracts and transactions with the Firm or an affiliate of a general partner of the Funds unless such contract or transaction is commercially reasonable and not less favorable than could be obtained in arm's length negotiations with unrelated third parties for similar services and, in certain cases, the Board of Advisors consents to the contract or transaction;
- preclude the Firm, or its related persons, from recommending to the Funds, or buying or selling for Fund accounts, securities in which the Firm or a related person has a material financial interest unless such recommendation is approved by the Board of Advisors.

Please note that the Affiliated Funds are established to permit related persons of the Firm and certain other individuals to invest in, or to co-invest with, the Institutional Funds and, through the Affiliated Funds, related persons of the Fund do indirectly participate in the acquisition and disposition of securities at the same time and generally on the same terms as the associated Institutional Fund.

The Funds on occasion make investments in asset management businesses that offer investment products to clients. In certain cases, the Funds will invest in the investment products offered by such asset management businesses in addition to, or in connection with, its investment in the asset management business itself. Certain related persons of the Firm, including employees, may elect to invest in the investment products offered by such asset management businesses but typically would not invest in the asset management business itself, other than indirectly through the Affiliated Funds as described above. In cases where a Fund is also invested in the investment products offered by such asset management business, the Firm will seek permission from the relevant Fund's Board of Advisors to allow employees to invest in such investment products.

In addition, investors in the Funds may have conflicting investment, tax and other interests with respect to their investments in the Funds, including conflicts relating to the structuring of investment acquisitions and dispositions. Conflicts of interest may arise in connection with decisions made by the Firm and its affiliates regarding an investment that may be more beneficial to one investor than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments, the Firm and its affiliates generally will consider the investment and tax objectives of a Fund and its investors as a whole, not the investment, tax or other objectives of any investor individually.

Allocation of Investment Opportunities Policy

Investment opportunities are allocated based on the provisions of the applicable Fund documents. If the relevant Fund document does not address the manner in which an investment opportunity should be allocated, the Firm will allocate the opportunity between or among Funds in good faith, according to the allocation of investment opportunities policy included in the Firm's Compliance Manual. This policy governs the appropriate allocation of opportunities with respect to the Funds, and provides that when determining these allocations the Firm will consider the factors that it determines in good faith to be relevant, which may include one or more of the following: (i) the size, nature, risk profile and type of investment opportunity; (ii) principles of diversification of assets, including, without limitation, in respect of geography, investment size and sector; (iii) the investment guidelines and limitations of each Fund; (iv) cash availability, including cash that becomes available through leverage; (v) the magnitude of the investment; (vi) a determination by the Firm that the opportunity is inappropriate, in whole or in part, for one or more of the Funds; (vii) proximity of a Fund to the end of its specified term (including whether the Fund is in its liquidation period); (viii) applicable transfer or assignment provisions; (ix) applicable law; and (x) such other factors as may be appropriate under the circumstances.

Item 12. Brokerage Practices

The Firm primarily focuses on making investments in private securities; thus, the Firm does not ordinarily deal with any financial intermediary such as a broker-dealer, and commissions are not ordinarily payable in connection with such investments.

However, the SEC has indicated that among the specific obligations that flow from an investment adviser's fiduciary duty is the requirement to seek the best execution of Fund securities transactions where the adviser is in a position to direct those transactions.

Best Execution

To the limited extent that the Firm transacts in public securities or other non-private equity investments (e.g., currency hedging), it selects brokers and counterparties based upon the broker's or counterparty's

ability to provide best execution for the Funds (*i.e.*, the best net price considering all relevant factors). In this regard, the Firm will consider a variety of factors including but not limited to the broker-dealer's or counterparty's (i) ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) operational efficiency with which transactions are effected (such as prompt and accurate confirmation and delivery), taking into account the size of the order and difficulty of execution; (iii) financial strength, integrity and stability of the broker-dealer or counterparty; (iv) competitiveness of commission rates in comparison with other broker-dealers; and (v) research products/services provided by a broker-dealer. Although the Firm generally seeks competitive commission rates and commission equivalents, it will not necessarily pay the lowest commission or equivalent. Transactions may involve specialized services on the part of a broker-dealer, which may justify higher commissions and equivalents than would be the case for more routine services.

Research and Other Soft Dollar Benefits

In practice, the Firm does not utilize soft dollar arrangements in connection with brokerage transactions; however, the Firm may, from time to time, have access to research provided by broker-dealers used for transactions. The Firm does not separately compensate such broker-dealers for the research and does not believe that it "pays-up" for such broker-dealers' services (although these brokers generally will not separately disclose their costs in providing such research).

The Firm will not consider, in selecting or recommending broker-dealers, whether the Firm or any related person receives client referrals from a broker-dealer or third party.

Aggregation of Client Trades

As noted above, each Institutional Fund typically co-invests in, and divests of, each investment made by such Institutional Fund in parallel with one or more Funds, including Affiliated Funds, that comprise a Fund Group. The co-investment arrangement among the members of each such Fund Group generally is established pursuant to the Governing Agreements of the applicable Funds in connection with the formation of the Funds in such Fund Group. Each Fund in a Fund Group generally participates in each investment made by such Fund Group, *pro rata*, on the basis of committed capital, and in each divestiture made by such Fund Group, *pro rata*, on the basis of the investment held. Costs incurred in connection with each investment generally are allocated to the Funds in each Fund Group, *pro rata*, on the basis of the amount invested in such investment.

As a general matter, aside from a Fund Group that is established to co-invest together as described in the immediately preceding paragraph, the purchase and sale of securities for client accounts are not aggregated given that, subject to certain limited exceptions, the Firm typically has, at any particular point in time, only one Fund Group that is making investments in new companies. In the limited circumstances where two or more Fund Groups own or acquire interests in the same company, the Firm would evaluate on a case-by-case basis whether aggregating the purchase and sale of securities for the various Fund Groups is appropriate under the circumstances.

Item 13. Review of Accounts

The Firm currently utilizes a process of discussing investment ideas, implementing investment decisions and reviewing existing investments through regular meetings of the members of the investment committee of the Firm as well as all investment professionals of the Firm.

The investment committee is comprised of senior professionals of the Firm and has primary responsibility for reviewing all investments and making decisions on whether to acquire or dispose of investments of the Funds. Each investment committee member holds a title of Chief Executive Officer, Chairman, General Counsel and/or Senior Principal.

Meetings of the investment committee and all investment professionals are typically held weekly or more frequently, as needed, to review client investments and financial plans as well as prospective investment opportunities for the Funds. Various qualitative factors are considered in connection with each new and existing investment and, depending on the particular situation, may include, among others, one or more of the following factors: financial performance and quality of the business; projected investment return and exit alternatives; experience, depth and competence of the management team; financial and operating strength of the company; opportunities for growth and/or acquisitions; competitive position of the company in its markets; availability of financing and liquidity; and various compliance and regulatory considerations.

As a general matter, investors in the Institutional Funds are provided with regular reports, including quarterly unaudited financial statements, annual audited financial statements and annual investment update letters.

Item 14. Client Referrals and Other Compensation

No one, other than the Institutional Funds, provides an economic benefit to the Firm for providing investment advice or other advisory services to the Funds. However, as noted above, the Firm may also receive Ancillary Fees from portfolio companies of a Fund Group.

From time to time, the Firm, the Advisory Affiliates and/or the Funds may compensate one or more placement agents for referrals of investors in the Institutional Funds. Such placement agents may also seek to do business with, and earn fees or commissions from, the Firm, affiliates of the Firm (including the Advisory Affiliates) and/or portfolio companies of the Funds.

Item 15. Custody

The Firm maintains assets and securities (other than with respect to certain privately-offered securities) of the Funds with qualified custodians, as defined in Rule 206(4)-2 of the Advisers Act (which includes U.S. registered broker-dealers), in a separate account for the Funds under the Funds' name, or in accounts that contain only funds and securities owned by the Funds under the Firm's name, as agent or trustee for the Fund or Funds. Custodians will generally be banks, trust companies or broker-dealers unaffiliated with the Manager.

The Firm distributes independently-audited financial statements of each Fund to its investors not later than 120 days after the end of such Fund's fiscal year (*i.e.*, generally by April 30).

Item 16. Investment Discretion

The Firm and the General Partners accept discretionary authority to manage securities accounts on behalf of the Funds through investment advisory agreements with such Funds. Generally, this discretionary authority has no limitations but is accepted subject to the investment guidelines and other terms and conditions contained in the Governing Agreements of the Funds.

Item 17. Proxy Voting

The Firm has discretion to cast votes with respect to any proxy of a company in which a Fund holds an investment and, as such, has adopted proxy voting policies and procedures in accordance with Section 206(4)-6 of the Advisers Act. The policies, which are included in the Firm's Compliance Manual, address a broad range of issues and are generally consistent with the objective of maximizing long-term investment returns for the Funds. Each vote will be cast in the best interests of the relevant Fund and in accordance with specific policies and procedures. The Firm may also abstain from voting if, based on factors such as expense or difficulty of exercise, it determines the interests of the Fund are better served.

The Compliance Manual provides that if the Firm believes that a particular proposal presents a material conflict of interest, the Firm will determine how to vote that proposal taking into consideration various factors including the investment objectives and strategies of the relevant Fund and any procedures set forth in the Governing Agreements of the relevant Fund. In casting votes, the Firm believes that a material conflict of interest between a Fund and the Firm does not arise solely as a result of the Firm's involvement with the particular portfolio company (*i.e.*, a representative of the Firm serving as an officer or director of a particular portfolio company). The Firm will document the factors considered in determining how to vote a proposal that presents a material conflict of interest.

In certain limited situations, the Firm may determine that it is appropriate to request that the investors of a Fund vote directly on a matter in lieu of the Fund voting as the shareholder. In those cases, the Firm will generally coordinate the voting and make a recommendation on the matter to the investors of the relevant Fund. The Firm may determine to establish policies and procedures in connection with such voting.

Clients and investors in the Funds may request a copy of these policies or information regarding the historical voting record of any Fund in which such investor has made an investment by contacting the Firm's Chief Compliance Officer.

Item 18. Financial Information

The Firm has never been the subject of a bankruptcy petition and does not believe that there are any conditions that are reasonably likely to impair the Firm's ability to meet contractual commitments to clients.

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