

Harvest Partners, LP

Part 2A of Form ADV

The Brochure

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This brochure provides information about the qualifications and business practices of Harvest Partners, LP. Harvest Partners, LP and other closely affiliated advisory entities are herein collectively referred to as “Harvest” or the “Firm”. If you have any questions about the contents of this brochure, please contact us at 212-599-6300. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

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

Material Changes

This updated Form ADV Part 2A filed by Harvest includes material changes to the Form ADV Part 2A that was previously filed in November 2014. The changes primarily consist of (i) the addition of various disclosures pertaining to co-investments and conflicts and (ii) updating the disclosure pertaining to Harvest's assets under management.

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Advisory Business

Harvest is principally owned by Thomas W. Arenz, Michael B. DeFlorio, Stephen Eisenstein, Ira D. Kleinman and John C. Wilkins (collectively, the "Principals"). A predecessor entity to Harvest was formed in 1981 and, today, Harvest consists of a group of entities formed for the purpose of providing investment advice to pooled investment vehicles.

Harvest currently provides investment advisory services to a group of private pooled investment funds, namely:

- Harvest Partners IV, L.P. and its related investment vehicles (collectively, "HP IV");
- Harvest Partners V, L.P. and its related investment vehicles (collectively, "HP V");
- Harvest Partners VI, L.P. and its related investment vehicles (collectively, "HP VI" and, together with HP IV and HP V, the "HP PE Funds"); and
- Harvest Partners Structured Capital Fund, L.P. and its related investment vehicles (collectively, the "HP SCF Fund" and, together with the HP PE Funds, the "Funds" and, each individually, a "Fund").

The HP PE Funds' investments are generally focused on private equity and control investments between \$50 million and \$100 million in middle market buyouts and recapitalizations of companies based in North America with (i) annual revenues between \$100 million and \$750 million and (ii) enterprise values between \$100 million and \$500 million within the following industries (the "Target Industries"):

- Manufacturing & Distribution
- Industrial Services
- Business & Consumer Services
- Health Care Services

The HP SCF Fund's investments are generally focused on senior equity or junior debt investments between \$20 million and \$35 million in middle market companies primarily based in North America with (i) annual revenues between \$100 million and \$750 million and (ii) enterprise values between \$100 million and \$750 million within the Target Industries.

As the investment adviser to the Funds, Harvest is responsible for evaluating and monitoring Fund investments and providing day-to-day managerial and administrative services to the Funds. Harvest sources, structures and negotiates potential investments, monitors the performance of portfolio companies and advises the Funds as to the disposition of investment holdings.

Based upon unaudited financial statements, dated December 31, 2014, Harvest managed approximately \$1.973 billion on a discretionary basis.

Fees and Compensation

Management Fee

Harvest or an affiliated entity earns a management fee from certain Funds in accordance with their respective offering documents and limited partnership agreements. In general, the HP PE Funds will pay the Firm a 2.0% per annum fee, tri-annually in advance, based on the aggregate capital commitments during a defined commitment period. Thereafter, the management fee may be reduced (a) as the basis for such fees shifts from aggregate capital commitments to invested capital and (b) as the rate for such fees decreases for certain Funds from 2.0% to 1.75% (usually for two years from the end of the commitment period) and then to 1.5%. Such fees are payable on a pro rata basis for any period that is less than a full four-month period.

The HP SCF Fund, generally, will pay the Firm an annual management fee equal to the greater of (i) a defined minimum fee or (ii) a fee equal to 1.5% per annum based on cumulative capital contributions (without giving effect to any return or reinvestment of capital). Such fee will be paid tri-annually in advance during the defined commitment period. Thereafter, the management fee paid by the HP SCF Fund will be reduced to a fee equal to 1.5% per annum of invested capital. Such fees are payable on a pro rata basis for any period that is less than a full four-month period.

Management fees may be subject to certain offsets as defined in each of the Funds' respective offering documents and limited partnership agreements. All management fees were negotiated with the Funds' investors during the fund raising period of the applicable Fund. Harvest may elect to waive all or a portion of any future management fees payable by certain Funds; any amounts so waived may be applied by such Funds against the capital commitments of the applicable general partner and other related persons of Harvest to the Funds.

Detailed information regarding the management fees borne by investors of the Funds is contained in the relevant Fund's offering documents and limited partnership agreements. Investors should not consider an investment in a Fund without fully understanding the Fund's management fee structure.

Portfolio Company Related Fees

Any fees earned by Harvest, the general partner of any Fund or any of their respective affiliates in connection with portfolio investments and from such Fund's unconsummated transactions including break-up and topping fees, monitoring and directors' fees, organization fees, set-up fees, advisory fees, upfront fees, consulting fees, management fees (other than the management fees described above), investment banking fees, closing and transaction fees and other similar fees (collectively, "Other Fees") may be offset by certain expenses of a Fund which may include certain unreimbursed transaction expenses and, in case of certain Funds, certain partnership and organizational expenses. Thereafter, a percentage (*e.g.*, 50%-100%) of these Other Fees will be credited against the management fees due from the relevant Fund. Certain monitoring fees may be accelerated upon early disposal of an asset, subject to the offsets described above and in more detail in the applicable limited partnership agreements.

Other Fees charged to Fund portfolio companies are determined, in part, by the Principals and/or other investment professionals and may create a short-term incentive to complete transactions. Also, such Other Fees are not always based on an exit or sale of a Fund investment. Accordingly, Harvest may receive Other Fees when a Fund does not ultimately profit from an investment.

Detailed information regarding Other Fees and such management fee offsets for each Fund is contained in the relevant Fund's offering documents and limited partnership agreements. Investors should not consider an investment in a Fund without fully understanding the Fund's Other Fee and management fee offset structure.

Fund Expenses

Detailed information regarding all the fees to be paid by each Fund is contained in the relevant Fund's offering documents and limited partnership agreements. In addition to management fees and Carried Interest (as defined below), limited partners will bear indirectly the costs and expenses charged to the Funds. Such costs and expenses will vary but will generally include (among others): (i) fees, costs and expenses associated with the organization of the Fund; (ii) fees, costs and expenses resulting from the sale of interests (including private placement fees, which are then generally subject to the offset against management fees described below) or the negotiation of terms and conditions of investments from limited partners; (iii) fees, costs and expenses for advisors, accountants, attorneys, consultants, auditors and other professionals; (iv) fees, costs and

expenses incurred in connection with the preparation and distribution of the Fund's financial statements, reports, tax returns and Schedule K-1's (or additional or similar tax-related schedules), including, expenses incurred in connection with purchasing computer software and hardware for use in preparing and distributing the Fund's financial statements, reports, tax returns and Schedule K-1's (or additional or similar tax-related schedules) and expenses incurred in connection with providing the limited partners on-line or electronic access to information and reporting relating to the Fund (including any upgrades and customizations related thereto); (v) fees, costs and expenses incurred in connection with discovering, developing, negotiating, evaluating, acquiring, structuring and disposing of the Fund's investments, and the holding, carrying, monitoring and managing of the Fund's investments, including, any financing, legal, accounting, advisory, consulting and other professional fees; fees associated with portfolio accounting system licenses and support; custodial, trustee, record keeping and other administrative fees; investment banking, private placement, brokerage and appraisal fees; sales and underwriting commissions and discounts; travel and travel related expenses (including transportation, meal, entertainment and lodging expenses, which may include travel by way of private or non-commercial aircraft at rates not in excess of customary charter rates); mobile device and conference call service expenses; and taxes, provided, these expenses described under (v) will be borne by certain Funds whether or not the investment giving rise to any such fee, cost or expense is consummated, terminated, cancelled or abandoned (i.e., broken deal costs); (vi) fees, costs and expenses incurred in connection with any market data, relevant news or third-party research services (including the cost and expense of any related terminals for the delivery of such services) and fees paid to sector or industry-specific business intelligence and information service providers; (vii) fees, costs and expenses incurred in connection with distributions to the limited partners; (viii) fees, costs and expenses incurred in connection with any valuation of the assets of the Fund; (ix) interest on and fees, costs and expenses arising out of all borrowings made by the Fund, including the arranging thereof; (x) all premiums and fees, costs and expenses, including broker fees, associated with any litigation, D&O liability or other insurance coverage (including in respect of errors or omissions of each Fund's general partner or investment manager, the Principals and each of their respective affiliates and related entities, and for any other persons acting on behalf of the Fund) and indemnification or extraordinary expense or liability relating to the affairs of a Fund; (xi) fees, costs and expenses incurred in connection with the maintenance, operation and administration of each Fund (including for purposes of maintaining the Fund in good standing with respect to state and similar registrations); (xii) fees, costs and expenses incurred in connection with dissolving, liquidating, winding-up and terminating a Fund; (xiii) any taxes or fees, costs, expenses or other governmental charges levied against a Fund and all expenses incurred in connection any tax audit, investigation, settlement or review of a Fund or any of its tax returns and Schedules K-1 (and additional or similar tax-related schedules); (xiv) fees, costs and expenses (including legal fees and expenses) incurred to comply with any law or regulation related to the activities of a Fund including (A) regulatory expenses of the Fund's general partner, investment manager or any of their respective affiliates incurred in connection with the operation of the Fund, (B) expenses related to the preparation and filing of Form PF and similar U.S. and non-U.S. regulatory filings, (C) expenses related to the compliance with or filings under Foreign Account Tax Compliance Act, (D) expenses advisable or required to be incurred in order to comply with terms and conditions of Alternative Investment Fund Managers Directive and/or the law, rules or regulations implemented or promulgated in any applicable jurisdiction in relation thereto (including the fees, costs or expenses of any depositary required in connection therewith) and (E) expenses incurred in

connection with any litigation or governmental inquiry, investigation or proceeding involving a Fund, including, the amount of any judgments, settlements or fines paid in connection therewith; (xv) fees, costs and expenses (including transportation, meal, entertainment and lodging expenses) of each Fund's board of advisors and meetings of limited partners, including any meeting of the limited partners called by the Fund's general partner (including the annual limited partners' meeting); (xvi) fees, costs and expenses incurred in connection with any communication with the limited partners, including fees, costs and expenses incurred in connection with responding to investor inquiries or due diligence requests or questionnaires (including expenses incurred in obtaining industry or market data for purposes of benchmarking the investment performance history of each Fund's investment manager or one more of its affiliates) (xvii) fees, costs and expenses incurred in connection with any amendments, modifications, revisions or restatements to the constituent documents of each Fund and related entities; (xviii) fees, costs and expenses incurred in connection with transfers of interests by the limited partners that are not otherwise borne the applicable transferor or transferee and (xix) fees, costs and expenses relating to defaults by limited partners in the payment of any capital contributions.

In addition to the foregoing, the fees, costs and expenses incurred in connection with the organization of a Fund and expenses related to the sale of its interests (other than placement fees), or the negotiation of terms and conditions of investments from limited partners, will generally reduce the management fees otherwise borne by the limited partners to the extent such costs and expenses exceed a certain dollar amount. Furthermore, placement fees will generally offset such management fees on a dollar-for-dollar basis, as described in the private placement memorandum for each Fund.

Detailed information regarding all of the costs and expenses to be paid by each Fund is contained in the relevant Fund's offering documents and limited partnership agreements. Investors should not consider an investment in a Fund without fully understanding the Fund's cost and expense structure.

Performance Based Fees and Side-by-Side Management

Harvest or an affiliate of Harvest is also entitled to receive a distribution of up to 20% of the profits on distributions derived from the disposition of investments or securities (after taking into account certain expenses of the Fund, including management fees) ("Carried Interest"). Investors in each such entity are entitled to receive an 8% preferred return prior to the imposition of the Carried Interest, after which, the Carried Interest "catches up" to the applicable rate (*i.e.*, up to 20%).

Although Carried Interest is a method of compensation that is generally used to align Harvest's interests with those of its Funds' limited partners, it may also create an incentive for Harvest to make more speculative investments. In addition, compensation in the form of Carried Interest may incentivize Harvest to make different decisions regarding the timing and manner of the realization of its Funds' portfolio investments than would be the case if such Carried Interest were not part of its overall compensation structure. Harvest seeks to address these conflicts through careful vetting of investment opportunities by its investment professionals and disclosure of investments to limited partners through capital call notices and periodic reports. Additionally, the Principals and certain investment professionals will often invest in the Funds indirectly (*e.g.*,

through general partner commitments) intended to align the interests of Harvest and those of the Funds. In addition, the limited partnership agreements of certain Funds provide “claw back” provisions that require the Principals and certain of its investment professionals to return to such Funds distributions of Carried Interest if and to the extent that, in the aggregate, such Principals and professionals have received such distributions in excess of 20% of the total profits of investors in such Fund (or, if greater, any such excess distributions of Carried Interest to the extent the 8% preferred return described above has not been achieved).

Carried Interest or the payment of Carried Interest at varying rates (including varying effective rates based on the past performance of a Fund) may create an incentive to disproportionately allocate services, time, or functions to Funds paying Carried Interest at disproportionate rates. Generally, this conflict is mitigated by procedures established in the Funds’ governing documents which include certain limitations on the ability of Harvest to establish new investment funds, contractual provisions requiring certain Funds to purchase and sell investments contemporaneously and/or contractual provisions and procedures setting forth investment allocation requirements.

Detailed information regarding the Carried Interest to be borne by the investors in each of the Funds is contained in the relevant Fund’s offering documents and limited partnership agreements. Investors should not consider an investment in a Fund without fully understanding the Fund’s Carried Interest structure. The possibility exists that multiple Funds may have capital available for investment at the same time and that a prospective investment or a follow-on investment may fit within the investment mandate of more than one Fund. In such case, Harvest will allocate the opportunity, including any related co-investment opportunities, in accordance with methodology set forth in the applicable Funds’ limited partnership agreements. In cases where the Funds’ governing documents do not specifically address allocations, Harvest may discuss the allocation with the applicable Funds’ advisory boards.

Co-Investments

When the general partner of a Fund deems it appropriate and consistent with the interests of the Fund, it may, but shall not be obligated to, provide the Fund's limited partners or third parties with co-investment opportunities. Except with respect to investments by the HP SCF Fund in the securities of (or other investments in) portfolio companies owned by one or more of the HP PE Funds, which would be subject to the satisfaction of certain conditions set forth in the limited partnership agreement of the HP SCF Fund, the general partner may allocate the available investments among the Fund, such limited partners and any third party as the general partner may, in its sole discretion, determine. The terms of any such co-investment are negotiated by the general partner and the potential co-investor on a case-by-case basis in their respective sole and absolute discretion, but the economic terms of such co-investment must be on terms substantially similar to and, in the case of co-investment by Fund limited partners, no less favorable than those of the underlying portfolio investment made by the Fund. The Fund’s general partner may make a nominal investment in any vehicle formed for a co-investment opportunity. Co-investors typically bear their *pro rata* share of various fees, costs and expenses related to the their co-investments and may be required to pay their *pro rata* share of fees, costs and expenses related to their potential co-investments that are not consummated, such as reverse breakup fees or broken deal costs. To

the extent co-investors do not agree to or do not otherwise bear fees, costs and expenses related to unconsummated co-investments, such fees, costs and expenses may be borne by the Fund.

From time to time, the general partner of a Fund may elect to facilitate co-investment opportunities with respect to a particular investment within a certain period of time after such investment is consummated by the Fund through subsequent sales or dispositions of portions of such investment to co-investors. Proceeds received by the Fund in connection with any such sale or disposition are generally distributed on a pro rata basis to all partners of the Fund in proportion to their respective interests therein. In addition, the general partner reserves the ability to charge any co-investor participating in such co-investment opportunity a cost of carry based on the cost basis of the interest in the investment being acquired by such co-investor. Any cost of carry paid to the Fund by a co-investor is also generally distributed on a pro rata basis to all partners of the Fund and may be treated as part of cumulative distributions to such partners under the Partnership Agreement for purposes of computing the preferred return.

Types of Clients

Harvest provides investment advisory services to privately-offered pooled investment vehicles. For information on minimum commitment amounts, please see the related Fund's offering documents.

Investment in the Funds is limited to investors that meet certain financial sophistication requirements. Investors in the Funds must be (i) "accredited investors" within the meaning of Regulation D under the Securities Act of 1933, as amended, and (ii) "qualified purchasers" within the meaning of the Investment Company Act of 1940, as amended (the "1940 Act"). Certain Harvest employees who qualify as "knowledgeable employees" under Rule 3c-5 of the 1940 Act are also permitted to invest directly or indirectly in the Funds. Investors considering an investment in the Funds should consult with their own investment, tax and/or legal consultants prior to investing.

Methods of Analysis, Investment Strategies, and Risk of Loss

Harvest's investment process involves a structured approach to the entire value chain of investing, from idea generation through exit. The investment process is designed to seek consistent returns while preserving capital. Having originally commenced with a venture investment oriented program in 1981, Harvest's investment strategy for the HP PE Funds shifted in 1985 to a leveraged buyout oriented program which has since been refined and serves as the foundation for Harvest's investment program today.

The critical elements of Harvest's investment approach to achieve its mission for the HP PE funds are: (i) careful asset selection driven by a comprehensive and disciplined due diligence process; (ii) proactive targeting of industries; (iii) risk control and capital preservation; (iv) engagement of all professionals in Firm-wide discussion and review at every stage of the investment cycle; (v) unanimous approval of the Fund's Investment Committee on all investment transactions; and (vi) active portfolio company oversight and guidance of management to achieve a company's full potential.

With respect to the HP PE Funds, Harvest employs a balanced risk-return approach that emphasizes capital preservation over “higher beta” transactions. The Firm employs a risk management framework that is grounded in its due diligence process, investment approval requirements and approach to the capital structures employed in portfolio companies.

Similarly, the HP SCF Fund will utilize Harvest’s investment approach, as well as its extensive network of contacts to identify, evaluate and execute potential investments in senior equity and junior debt securities. The main components of the HP SCF Fund’s investment strategy are to (i) leverage the resources and investment opportunities within Harvest, (ii) offer a compelling value proposition to private equity investment and entrepreneurial business owners, and (iii) focus on middle market companies that fit Harvest’s investment criteria applied to the HP PE Funds.

The HP SCF Fund will also employ an investment approach that emphasizes capital preservation and will endeavor to achieve safety of principal by investing in the same type of North American-based high quality companies that meet the investment criteria applied by Harvest with respect to the HP PE Funds. The HP SCF Fund will structure investments to be senior in liquidation preference to a significant amount of underlying enterprise value. Any diminution in enterprise value will be borne first by the common equity securities and should not meaningfully impact the HP SCF Fund’s investment in senior equity and junior debt securities until the common equity is fully impaired. In addition to this common equity “cushion,” the HP SCF Fund’s investments will be structured to include other rights, controls and protective covenants.

Harvest adheres to an investment process that includes: (i) proactive sourcing; (ii) a stringent due diligence and approval process; and (iii) active oversight and support. The Firm’s team of investment professionals takes an active role in all phases of Harvest’s investment process.

Acquiring an interest in a Fund involves a number of risks. An investment in a Fund may be deemed a speculative investment and is not intended as a complete investment program. It is designed for sophisticated investors who fully understand and are capable of bearing the risk of an investment in the Funds. No guarantee or representation is made that the Funds will achieve the investment objective or that investors will receive a return of their capital.

An investment in the Funds involves a risk of loss. A brief overview of some of the prominent risks related to Harvest’s investment strategy is outlined below:

Portfolio Concentration

Although generally no more than 20% of the aggregate commitments to a Fund will be invested in any single portfolio company, diversification is not a requirement of any Fund. Accordingly, a Fund’s portfolio investments may include a small number of large positions. While this portfolio concentration may enhance total returns, if any large position has a material loss, then returns may be lower than if they had invested in a more diversified portfolio.

Unspecified Investments

A Fund may be unable to find a sufficient number of attractive opportunities to meet its investment objectives. The success of a Fund will depend on the ability of its general partner and Harvest to identify suitable investments, to negotiate and arrange the closing of appropriate

transactions and to arrange the timely disposition of such investments. Furthermore, to the extent the investment strategy of a Fund relies upon the recovery, stabilization or improvement of market and economic conditions and such events do not occur for an extended period of time, a Fund may not be able to invest a significant portion of its committed capital during its commitment period.

Financial Leverage

The HP PE Funds expect to maintain financial leverage within each of its portfolio companies and may re-leverage a portfolio investment in order to achieve this goal. Such leverage may be substantial. Utilization of leverage will result in fees, expenses and interest costs to a Fund. If a Fund is unable to refinance a portfolio company in order to maintain the desired amount of financial leverage, a Fund may realize lower than expected returns from the relevant portfolio investment and may hold a larger than expected equity investment in that portfolio investment.

Financial leverage significantly increases exposure to adverse economic factors, such as rising interest rates, downturns in the economy or deterioration in the condition of such portfolio companies or portfolio investments or their respective industries.

Illiquid and Long-Term Investments

Generally, there will be significant period of time before a Fund will have completed its investments in portfolio companies. Such investments may take several years from the date of initial investment to reach a state of maturity when realization of the investment can be achieved. Private investment transaction structures typically are not considered liquid. 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.

It is unlikely that there will be a public market for the securities held by a Fund at the time of their acquisition. Further, disposition of such investments may require a lengthy time period or may result in distributions in kind to investors.

Investments in Restructurings or Underperforming Companies

A Fund may make investments in companies that are experiencing financial difficulties, which such companies may never overcome. Such investments could subject a Fund to additional potential liabilities exceeding the value of a Fund's original investment therein. Such investments of a Fund could also be subject to federal bankruptcy law and state fraudulent transfer laws, which may vary from state to state.

Failure to Make Capital Contributions

If limited partners fail to pay when installments of their commitments to a Fund are due, a Fund may be unable to pay its obligations when such obligations are due. As a result, a Fund may be subjected to significant penalties that could limit opportunities, investment diversification and materially adversely affect the returns to all limited partners.

Middle Market Companies

A significant component of the Funds' investment objectives is to invest in middle market companies. Although investments in middle market companies may present greater opportunities for growth, such investments may also entail larger risks than are customarily associated with investments in larger companies. Middle market companies may have relatively limited product

lines, markets, and financial and other resources. As a result, such companies may be more vulnerable to general economic trends and to specific changes in markets and technology. In addition, future growth may be dependent on additional financing, which may not be available on acceptable terms when required. Further, there is ordinarily a more limited marketplace for the sale of interests in smaller, private companies, which may make realizations of gains more difficult. In addition, the relative illiquidity of private equity investments generally, and the somewhat greater illiquidity of private investments in middle market companies, could make it difficult for a Fund to react quickly to negative economic or political developments.

Investments in Less Established Companies

A Fund may invest a portion of its assets in the securities of less established companies or early stage companies. Investments in such early stage companies may involve greater risks than those generally associated with investments in more established companies. Such companies also may 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 may not have significant or any operating revenues.

Nature of Structured Capital Securities

The HP SCF Fund expects to invest in senior equity and junior debt securities. Although senior equity and junior debt securities are typically senior to common stock or other equity securities, the senior equity and debt securities in which the HP SCF Fund may invest will generally be unsecured and subordinated to substantial amounts of senior debt, all or a significant portion of which may be secured. In addition, these securities may not 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 in which the HP SCF Fund invests cannot generate adequate cash flow to meet senior debt service, the HP SCF Fund may suffer a partial or total loss of capital invested.

Nature of Preferred Securities

The HP SCF Fund may invest in preferred securities which are rated in the lower rating categories by the various credit rating agencies or, more commonly, in comparable non-rated securities. Securities in the lower rating categories and comparable non-rated securities are subject to greater risk of loss of principal and interest than higher rated and comparable non-rated 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 non-rated 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 non-rated securities, the yields and prices of such securities may be more volatile than those for higher rated and comparable non-rated securities. The market for lower rated and comparable non-rated securities is thinner, often less liquid and less active than that for higher rated and comparable non-rated securities, which can adversely

affect the prices at which these securities can be sold and may even make it impracticable to sell such securities.

Subordination of Investments

The mezzanine debt and equity investments of the HP SCF 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 may 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 may 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.

Control Position Risk

Although non-control investments may also be made by the HP PE Funds, Harvest intends to make certain investments that allow one or more of such Funds to acquire control or exercise influence over management and the strategic direction of a portfolio investment. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, pension liabilities, failure to supervise management and other types of liability in which the limited liability characteristic of business operations may be ignored. The exercise of control over a portfolio investment could expose the assets of a Fund to claims by portfolio companies underlying such investments, its security holders and its creditors. While Harvest intends to manage the HP PE Funds to minimize exposure to these risks, the possibility of successful claims cannot be precluded.

Non-Control Position Risk

The HP SCF Fund will generally hold non-controlling interests in its portfolio investments. Although Harvest will negotiate negative covenants and other contractual restrictions applicable to the companies underlying such investments, it will primarily be the responsibility of the management teams and boards of directors of such companies to operate such companies on a day-to-day basis. Accordingly, Harvest will have a limited ability to protect the HP SCF Fund's investments in such companies. Further, the HP SCF Fund may have no right to appoint a director and a limited ability to influence such companies' management.

Non-United States Investments

The Funds may invest in companies domiciled outside of the United States. Non-U.S. securities involve certain risks including risks relating to: (i) currency exchange matters; (ii) potential price volatility in, and relative illiquidity of, some non-U.S. securities markets; (iii) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation in some countries; (iv) certain economic, social and political risks, including potential exchange control regulations and restrictions on non-U.S. investment and repatriation of capital, the risks of political, economic, or social instability and the possibility of confiscatory taxation or expropriation; (v) the possible imposition of non-U.S. taxes on income and gains recognized with respect to such securities and (vi) less developed corporate laws regarding, among other things, fiduciary duties and the protection of investors.

Joint Venture Partners

Some of the third-party operators and joint venture partners with whom the Funds may elect to co-invest may have preexisting investments with the Funds. The terms of the preexisting investments may differ from the terms upon which the Funds invest with such operators and partners. To the extent a dispute arises between Harvest and such operators and partners, the Funds' investments relating thereto may be affected.

Co-Investments

See under "Performance Based Fees and Side-by-Side Management" and "Co-Investments" above.

Service Providers

Service providers or affiliates of service providers (including lenders, brokers, attorneys, and investment banking firms) of the Funds may be in a position to provide certain services to employees of Harvest and Harvest itself with respect to non-Fund matters. In addition, Harvest may recommend to a Fund or portfolio company that it contract for services with such service providers. The receipt of services with respect to non-Fund matters may influence or have the appearance of influencing Harvest's decision whether to select such service provider for Harvest or the Funds or whether to recommend such service provider to a portfolio company. On occasion, employees of certain key service providers engaged by Harvest or the Funds may invest in the Funds. Investments from these parties are subject to the same subscription process as other investors in the Funds.

Disciplinary Information

Harvest and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to an investor's evaluation of Harvest or its personnel.

Other Financial Industry Activities and Affiliations

The Principals may serve as members of the boards of directors or similar governing bodies of various companies and may participate in other activities outside of the Funds and Harvest. Conflicts may arise as a result of such activities and in the allocation of management resources. Investors should be aware that receipt of material non-public information by Principals regarding these companies could preclude the Funds from effecting transactions in the securities of such companies (to the extent permitted under its limited partnership agreement). The possibility exists that the companies with which one or more of the Principals is involved could engage in transactions which would be suitable for the Funds, but in which the Funds might be unable to invest.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Harvest has adopted a written code of ethics that is applicable to all employees. Among other things, the code requires Harvest and its employees to act in clients' best interests, abide by all applicable regulations and avoid even the appearance of insider trading. In addition, among other requirements, employees must disclose to Harvest the existence of personal securities accounts,

pre-clear personal trades of initial public offerings or limited offerings and report personal securities transactions. Harvest regularly reviews its compliance systems and procedures with outside counsel and compliance consultants. Should potential conflicts of interest arise, Harvest's investment professionals have an ongoing responsibility to report such conflicts to the CCO, who will address conflicts on a case-by-case basis.

A copy of Harvest's code of ethics is available upon request to any investor or prospective investor.

The investment professionals of Harvest invest in the Funds as indirect partners of the general partners of the Funds. As indirect partners of the Funds, the investment professionals of Harvest invest in transactions made by the Funds. While investments by related persons and investment professionals of Harvest are intended to align interests of Harvest and its related persons with those of the Funds, such investments may create conflicts (for example, in a diverse group of investors, including the investment professionals, with conflicting tax or other interests, decisions may be made that are more beneficial to one type of investor). Generally, investments and divestures are made on the same economic terms at the investment level for all partners of the Funds, including for Harvest's related persons. Each investment is made pro rata among the partners of each Fund and Harvest's related persons who are indirect partners so that Harvest's related persons may not receive favorable terms or greater exposure to certain investments.

As described below under Passive Financing Vehicles, from time to time, the Principals and certain Harvest employees participate in an investment vehicle established to provide debt financing to certain of the Funds' portfolio companies. These transactions are carefully reviewed by Harvest's senior management and undertaken only to the extent that they are not otherwise prohibited by the limited partnership agreements of the applicable Funds.

Conflicts due to Investment Activities of Other Harvest Investment Funds

From the perspective of any of the HP PE Funds or the HP SFC Fund (the "Applicable Fund"), the Firm, the general partners of such Funds, the Principals and one or more of their respective affiliates (including, for this purpose, investment professionals and other personnel) may have ongoing interests, including economic interests, in other Harvest investment vehicles (the "Conflicting Fund") that are invested in one or more of the portfolio companies in which the Applicable Fund invests or in competitors of such portfolio companies. That is, in instances where a HP PE Fund is the Applicable Fund, such entities or persons may have interests in the HP SCF Fund which, in turn, is an investor in one or more of the portfolio companies of such Applicable Fund and vice versa. Such entities and persons may also have interests in competitors of such portfolio companies. The performance and operation of such competing businesses could conflict with and adversely affect the performance and operation of the portfolio companies in which either of these Funds invest and may adversely affect the prices and availability of business opportunities or transactions available to such portfolio companies. Accordingly, such entities and persons are likely to experience a variety of conflicts of interest to the extent that the interests of such Conflicting Funds would be adversely affected by investment decisions that would otherwise be in the best interest of the Applicable Fund.

Similarly, if such entities or persons are faced with investment decisions for such Conflicting Fund that would be in the best interest of such Fund but would otherwise adversely impact the Applicable Fund, they may nevertheless be incentivized to make such decisions for the benefit of such Conflicting Fund to the detriment of the Applicable Fund if they are economically or otherwise incentivized to do so (e.g., due to the prospect of earning more carried interest, management fee or other fees).

Such conflicts will be exacerbated when a HP PE Fund and the HP SCF Fund invest in different parts of the capital structure of the applicable portfolio company. For example, in the event a portfolio company enters bankruptcy, it may be in the best interest of the HP SCF Fund for it to aggressively pursue the company's assets to fully satisfy the company's obligations or indebtedness to the HP SCF Fund. As a result, the HP PE Fund holding more junior securities of the same company might not have access to sufficient assets of the company to completely satisfy its bankruptcy claim against the company and may suffer a loss. Because of the potential harm to the HP PE Fund's holdings, however, the general partner of such Fund, the Firm, the Principals or one or more of their respective affiliates (including, for this purpose, investment professionals and other personnel) may be disinclined to pursue the company's assets (or to pursue them as aggressively as might otherwise be the case) as a result of their conflicting interests in such HP PE Fund. Conversely, the foregoing entities or persons may be incentivized to make riskier or more speculative investment decisions on behalf of the applicable HP PE Fund with the hopes of extracting value from junior securities that are otherwise significantly impaired to the detriment of the holdings of the HP SCF Fund.

Accordingly, prospective investors should expect that conflicts will arise when the HP SCF Fund is investing in a portfolio company owned by one or more HP PE Funds. With respect to these and any other conflicts of interest, the general partner of the applicable Fund and the Firm will endeavor to resolve them in a manner they determine to be fair and reasonable under the circumstances and over time. Nevertheless, there can be no assurance that any such conflicts will be resolved in a manner that is fair and equitable to the each of the Funds.

Prospective investors should consult the relevant offering documents and limited partnership agreements for a more detailed understanding of risks and conflicts of interest that may arise in connection with an investment in the Funds.

Passive Financing Vehicles

From time to time, when a Fund has committed or intends to acquire a security of or investment in a portfolio company (which, in the case of the HP SCF Fund, would be limited to a senior equity security of or other senior equity investment in a portfolio company) and a third party has committed or intends to acquire (or has otherwise underwritten) the entirety of the junior "mezzanine" debt securities or investments of such portfolio company (any such third party, a "Mezzanine Lender"), then, to the extent such Mezzanine Lender seeks other persons to co-invest in such debt securities (or to otherwise syndicate its existing holdings to such other persons), a partnership or other entity (the partners or other owners of which consist of one more principals or employees of Harvest) (a "Passive Financing Vehicle") may acquire such debt securities. To manage conflicts that may arise, Harvest generally requires (i) the Passive Financing Vehicle's holdings to be de minimis in value relative to the value of the applicable investment and (ii) the

Passive Financing Vehicle to not be entitled to exercise any voting or similar indicia of control (subject to certain exceptions).

Allocation of Investment Opportunities Between or Among Funds

Harvest may, from time to time, be presented with investment opportunities that fall within the investment objectives of more than one Fund. Investment opportunities which are within such common objectives and guidelines will generally be allocated between or among such Funds on a basis that Harvest believes in good faith to be fair and reasonable (unless the limited partnership agreements for such Funds require otherwise). Such allocation may take into account the sourcing of the transaction, the nature of the investment focus of each such other investment fund, the relative amounts of capital available for investment, the nature and extent of involvement in the transaction on the part of the respective teams of investment professionals, any requirements contained in the governing documents of such other funds and other considerations deemed relevant by the general partner of the applicable Funds and Harvest in good faith.

Transactions Involving Affiliates

From time to time, in connection with or subsequent to a transaction involving the sale of an investment held by a Fund that is negotiated exclusively on an arms-length basis between the Fund selling the investment and one or more third-parties acquiring such investment, one or more other Funds managed by Harvest may acquire a portion of the investment being sold in such transaction. Any such acquisition by a Fund would be based on terms that are no less favorable than the arms-length terms negotiated between the Fund selling the investment and the acquiring third parties. In addition, all the Funds participating in such transaction, including, for the avoidance of doubt, the Fund selling the investment, may be required to disclose the terms of such transaction to their respective Board of Advisors.

Brokerage Practices

From time to time, the Funds may enter into currency transactions for the purposes of hedging non-U.S. investments. Neither Harvest nor any Fund typically participates in trading through broker-dealers. To the extent any Fund purchases public securities as part of a private equity transaction or acquires such securities as a result of a portfolio company going public, Harvest will cause such Fund to follow applicable SEC guidelines to seek best execution when implementing such transactions.

Harvest does not have formal soft dollar arrangements. However, Harvest may receive access to research made available through brokerage firms or investment banks. Harvest believes this research is available to all managers of similar size. Harvest does not direct transactions in lieu of payments for research or other services that do not benefit the Funds.

Review of Accounts

Harvest maintains continuous and ongoing oversight and review of the Funds' portfolio holdings by its senior investment professionals, including the Principals. Harvest furnishes audited financial statements to the Funds' limited partners annually. In addition, on a quarterly basis the Firm provides limited partners with unaudited financial statements and descriptive information regarding each portfolio company. The general partner of each Fund will furnish to each limited partner a Schedule K-1 (Internal Revenue Service Form 1065) or an equivalent report annually.

Client Referrals and Other Compensation

The Firm may engage placement agents, pursuant to a written agreement, to solicit investors for the Funds. Harvest generally assumes full economic responsibility (through an offset to its management fees) for all fees payable to any placement agent in connection with the solicitation of new investors.

Custody

All of the Funds' cash, cash equivalents and certificated securities are held by unaffiliated, qualified custodians. Harvest is deemed to have custody of the Funds' assets because Harvest's affiliated entities, the general partners of the Funds, can access the Funds' assets. In compliance with the Advisers Act, Harvest has arranged for an annual audit of the Funds which are performed in accordance with U.S. generally accepted accounting principles (GAAP). A copy of the audited financial statements for each Fund is distributed to its limited partners within 120 days of the Fund's fiscal year end.

Investment Discretion

The Funds' offering documents, limited partnership agreements and/or investment advisory agreements signed by each Fund's general partner or investment manager provide Harvest with discretionary investment authority.

Voting Client Securities

Although no investments currently held by the Funds issue proxies, the Funds' limited partnership agreements permit the purchase of equity positions which may occasionally solicit shareholder votes. In the event a Fund holds such equity positions or other positions that may solicit proxies, it is Harvest's policy to review the proxies to determine whether a vote is material to shareholder value and in the best interest of the Funds. When a vote is deemed material to shareholder value it is Harvest's policy to vote in a manner which it believes will increase shareholder value the most or decrease shareholder value the least. Harvest may abstain from voting if it deems that abstinence is in the Funds' best interests or when Harvest has determined that the vote is immaterial to the value of the securities held by a Fund.

Current investors may request a copy of Harvest's full proxy voting policies and procedures and record. Please contact Harvest's CCO at (212) 599-6300.

Financial Information

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