

---

# Berkshire Partners

---

Form ADV  
Part 2A: Firm Brochure  
March 30, 2018

Berkshire Partners LLC  
200 Clarendon Street, Boston, MA 02116  
Tel (617) 227-0050

This brochure provides information about the qualifications and business practices of Berkshire Partners LLC. If you have any questions about the contents of this brochure, please contact us at (617) 227-0050 or [compliance@berkshirepartners.com](mailto:compliance@berkshirepartners.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Berkshire Partners LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). An investment adviser’s registration with the SEC does not imply a certain level of skill or training.

---

# Berkshire Partners

---

## **Item 2.**

Berkshire Partners LLC is pleased to provide its clients with this Brochure, which is the firm's Form ADV Part 2A. This Brochure contains important information about the business practices of the Adviser (as defined below), as well as a description of potential conflicts of interest relating to the firm's advisory business that could affect a client's account with the Adviser. The Adviser has experienced no material changes since its last Form ADV submission. This Brochure includes clarifying information about fees and expenses, risks, and conflicts of interest.

## Item 3. Table of Contents

	Page
Advisory Business .....	1
Fees and Compensation .....	2
Performance-Based Fees and Side-By-Side Management .....	7
Types of Clients .....	8
Methods of Analysis, Investment Strategies and Risk of Loss .....	8
Disciplinary Information.....	19
Other Financial Industry Activities and Affiliations .....	20
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	20
Brokerage Practices .....	41
Review of Accounts .....	43
Client Referrals and Other Compensation .....	43
Custody .....	44
Investment Discretion .....	44
Voting Client Securities .....	44
Financial Information.....	45
Requirements for State-Registered Advisers .....	45

## **Item 4. Advisory Business**

For purposes of this Brochure, the “Adviser” means Berkshire Partners LLC, a Massachusetts limited liability company, together (where the context permits) with its affiliates that provide advisory services to and/or receive advisory fees from the Funds (as defined below). Such affiliates may or may not be under common control with Berkshire Partners LLC but possess a substantial similarity of personnel and/or equity owners with Berkshire Partners LLC. These affiliates are generally formed for tax, regulatory or other purposes in connection with the organization of the Funds or may serve as general partners of the Funds. The Adviser is wholly owned by BPSP, L.P., which is in turn wholly owned by Berkshire Partners Holdings LLC. Stockbridge Partners LLC (together with its affiliates, including general partner entities, that provide advisory services to and/or receive fees from pooled investment vehicles and other clients advised by Stockbridge Partners LLC, “Stockbridge”), which is also wholly owned by BPSP, L.P., is an investment adviser and affiliate of Berkshire Partners LLC and has prepared a separate brochure and Form ADV. For the avoidance of doubt, the term “Adviser” as used herein does not include Stockbridge, and the term “Stockbridge” does not include the Adviser.

The Adviser provides investment advisory services to investment vehicles (the “Funds”), including certain Coinvestment Vehicles (as defined herein), that are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”), the interests of which are not registered under the Securities Act of 1933, as amended (the “Securities Act”).

The Funds make primarily long-term private equity and equity-related investments. In accordance with the Funds’ respective investment objectives, the Funds’ investments historically have been focused in industries where the Adviser has developed particular expertise, including: consumer products and retail, business services, communications, industrials and healthcare. The Adviser’s advisory services consist of investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of the Funds, managing and monitoring the performance of such investments and disposing of such investments.

The Adviser provides investment advisory services to each Fund in accordance with separate investment advisory, investment management or portfolio management agreements, as applicable (each, an “Advisory Agreement”), the applicable governing agreement of a Fund (such as a limited partnership agreement or analogous organizational document (each, an “Organizational Document”)) and/or side letters with limited partners of the Funds (“Side Letters,” and together with the Advisory Agreements and the Organizational Documents, the “Governing Documents”).

Investment advice is provided directly to the Funds (subject to the discretion and control of the applicable general partner, if applicable), and not individually to the investors in the Funds. Services are provided to the Funds in accordance with the applicable Governing Documents of each Fund. Investment restrictions for the Funds, if any, are generally established in the Governing Documents of each applicable Fund.

The Adviser has been in business since 1986. As of December 31, 2017, the Adviser managed a total of \$12,921,804,267 of client assets, all of which is managed on a discretionary basis.

The Adviser does not participate in wrap fee programs.

## **Item 5. Fees and Compensation**

As compensation for investment advisory services rendered to the Funds, the Adviser receives from each such Fund an advisory fee (each, an “Advisory Fee”) typically calculated based on committed capital or remaining invested capital with respect to such Fund. Advisory Fees may be reduced or waived during the life of a Fund. Advisory Fees paid by a Fund are indirectly borne (to the extent not waived) by investors in such Fund.

In addition, the Adviser and its employees perform consulting, transaction-related, financial advisory and other services for, and receive fees from, actual or prospective portfolio companies or other investment vehicles of the Funds, including fees in connection with structuring investments in such portfolio companies, as well as mergers, acquisitions, add-on acquisitions, refinancings, public offerings, sales, divestments or other dispositions and similar transactions with respect to such portfolio companies (“Transaction Fees”).

The Adviser and its affiliates also receive “Monitoring Fees” pursuant to management agreements with portfolio companies of the Funds governing the advice, consultation and other similar ongoing services provided by the Adviser and its affiliates to such portfolio companies. The terms of a management agreement may include (among other things) annual automatic renewals, the payment of Monitoring Fees (which may be fixed fees or calculated as a percentage of EBITDA or similar performance metric), and the acceleration of payment of the Monitoring Fees upon certain termination events, including the occurrence of an initial public offering or strategic exit. The Adviser has not generally charged accelerated monitoring fees in the past, and expects accelerated Monitoring Fees in the future to be rare (e.g., in the case of a consortium transaction in which a third party coinvestor is charging such an accelerated Monitoring Fee). Because the management agreements may have prolonged terms (often exceeding ten years and/or subject to automatic extensions and renewal), in the rare event that an accelerated Monitoring Fee is charged, the financial effect of such acceleration may be substantial, particularly in the event such circumstances occur early in the life of the Fund’s investment in such portfolio company.

In addition, the Adviser and its affiliates receive fees in connection with serving on the board of directors of a portfolio company (“Director Fees”) and in connection with an unconsummated transaction (“Break-Up Fees” and, together with Transaction Fees, Monitoring Fees and Director Fees, the “Portfolio Company Fees”). The amount and timing of Break-Up Fees received by the Adviser are generally specified in the agreement or other documentation governing the transaction.

Although these Portfolio Company Fees are in addition to the Advisory Fees, the Adviser will in some circumstances reduce the amount of Advisory Fees paid by the applicable Fund in connection with the receipt of such Portfolio Company Fees. The Adviser will not, however, reduce the amount of Advisory Fees paid by the applicable Fund with respect to fees received by Portfolio Advisors (as discussed below). The amount and manner of such reduction is set forth in the Governing Documents of the applicable Fund. Only that portion of such Portfolio Company Fees allocable to the Fund will reduce the Advisory Fee as described above. Portfolio Company Fees are generally allocated pro rata among a Fund and other coinvestment parties that coinvested or

proposed to coinvest with such Fund based on the capital the Fund and each such other coinvestment party has invested or proposed to invest in the portfolio company or prospective portfolio company.

Generally, under the terms of the applicable Governing Documents, for purposes of calculating any Advisory Fee offset, Portfolio Company Fees are net of out-of-pocket costs and expenses incurred by the Adviser in connection with consummated or unconsummated transactions or in connection with generating any such fees. Portfolio Company Fees may be paid in cash, in securities of the portfolio companies or investment vehicles (or rights thereto) or otherwise.

Additionally, consistent with the applicable Funds' Governing Documents, the Adviser is permitted to incur expenses, and a portfolio company may reimburse the Adviser for such expenses, including, without limitation, travel expenses (which typically include expenses for first or business class or, under limited circumstances, chartered travel, as well as lodging), meals and entertainment expenses and other out-of-pocket costs, in connection with the Adviser's performance of services for such portfolio company, which include amounts paid to consultants, law firms, accountants or other advisors; such reimbursed expenses are generally not included in the definition of "Portfolio Company Fees" above, in accordance with the terms of the applicable Governing Documents, and such reimbursements are not subject to the Advisory Fee reduction arrangements described above. For a discussion of material conflicts of interest created by the receipt of such fees and reimbursements, please see Item 11 below.

The Adviser, or its Managing Directors or employees on behalf of the Adviser, occasionally receives stock options, equity incentives or other compensation from a portfolio company as payment for the service of a Managing Director or employee of the Adviser on the board of directors of such portfolio company. In the event of such a receipt of equity incentives or other compensation, the recipients or the Adviser, with respect to compensation received, may act in their or its own interests with respect to the stock options or other securities received and may determine to exercise or sell such securities or to hold the securities for such time as such recipients or the Adviser, shall determine. The ability of such recipients or the Adviser to act in their or its own interests with respect to such securities creates a conflict of interest between the Adviser, as an adviser to the Funds, and its related persons, on the one hand, and the Funds, on the other.

In addition, from time to time, the Adviser may retain, or may assist a portfolio company with retaining, other companies or individuals, including third party advisors such as specialized consultants or external executives, to provide strategic advice or operational support and similar or related services. These services typically include support to the portfolio company regarding, among other items, the company's management, the company's operations, revenue and margin enhancement (including determining sales and marketing strategy), finance (including metrics and reporting), human capital (including executive recruitment), information technology, customer service, sustainability, real estate matters, insurance and similar operational matters. Payment or other compensation by a portfolio company, as well as expense reimbursements associated with such services, or reimbursement to the Adviser by the portfolio company, for such third party services is also not subject to the Advisory Fee reduction arrangements described above.

The Adviser and its affiliates, or a portfolio company of a Fund, from time to time also engage and retain Portfolio Advisors to provide services to certain portfolio companies, including advisory or consulting services and serving in interim management positions or as members of the boards of directors of portfolio companies. A “Portfolio Advisor” includes (i) an “Advisory Director” (which includes individuals well known to the Adviser who participate in specific activities that arise in their areas of expertise, including deal origination, due diligence investigation, investment deliberation and portfolio company support and governance), or any individual serving in a similar role, who provides advisory or similar services to a portfolio company, including without limitation, an individual who may also be compensated by the Adviser for advisory services to the Adviser and regardless of whether such individual is exclusive or devotes substantially all or a portion of his or her time to the Adviser and/or its portfolio companies; (ii) as determined by the Adviser in its sole discretion, any other business executive or industry expert, other than an employee or Managing Director of the Adviser, who provides advisory services or similar services to a Fund or one or more portfolio companies; (iii) a member of a Fund’s general partner (other than certain “key persons” identified in a Fund’s Governing Documents) who serves in a bona fide, non-director management capacity (or other operational capacity), during the period of such person’s service as such, which service involves a material portion of such person’s business time at a portfolio company (as determined by the Adviser in its sole discretion); or (iv) such other individual identified by a Fund’s general partner as a “Portfolio Advisor” with the consent or approval of a Fund’s advisory committee. Portfolio Advisors may devote a portion or substantially all of their business time to the Adviser, may participate in investment staff meetings, may be provided office space, administrative support and receive information on Funds’ or Stockbridge’s investments, and may be compensated by the Adviser and/or one or more portfolio companies. The nature of the relationship with each such Portfolio Advisor may vary significantly. These arrangements may be memorialized in a formal written agreement or may be informal and are negotiated individually, depending upon the anticipated services to be provided. Portfolio Advisors have in the past and may in the future receive stock options or other equity and/or management, director, consulting, advisory and other similar fees and compensation from portfolio companies (including, without limitation, a retainer, fees based on an hourly/daily/weekly rate, transaction fees in connection with the investment in or sale of a portfolio company and profits or equity interests at the portfolio company or other incentive-based compensation), as well as expense reimbursement from a Fund or its portfolio companies. Such compensation or reimbursement received by an individual in his or her capacity as a Portfolio Advisor will not be considered Portfolio Company Fees and will not offset the Advisory Fee payable by a Fund. In addition, a Portfolio Advisor has in the past and will in the future, (i) invest directly or indirectly in one or more portfolio companies; (ii) invest in the Funds on a reduced or no fee basis; and/or (iii) participate in a portion of the carried interest distributions received by the Adviser.

The precise amount of, and the manner and calculation of, the Advisory Fees for each Fund are established by the Adviser, as agreed with investors in the applicable Fund, and are set forth in such Fund’s Governing Documents received by each investor prior to investment in such Fund. The Advisory Fees and other fees and distributions described above are generally subject to waiver or reduction by the Adviser in its sole discretion, both voluntarily and on a negotiated basis, and may be modified subject to the consent requirements of a Fund’s Governing Documents. The fee

structures described herein may be modified from time to time, and differ from one Fund to another.

Advisory Fees are payable on the tenth day of each January and July (for the six-month period from January 1 through June 30 and July 1 through December 31, respectively) until termination of the relevant Advisory Agreement.

To the extent an Advisory Agreement is terminated and not otherwise replaced, the pro rata portion of prepaid Advisory Fees will be returned or credited to the Fund's investors.

The Adviser has in the past and may in the future waive or reduce all or a portion of the Advisory Fee paid by a Fund in full or partial satisfaction of any obligation of the Adviser and certain employees of the Adviser to invest in such Fund or to coinvest in a portfolio company of a Fund, which, on rare occasions, has resulted in acceleration of investor capital contributions. Waived or reduced Advisory Fees may not be subject to various offsets or the reductions described above. Due to waived or reduced Advisory Fees and/or the timing of receipt of compensation subject to offsets, Fund investors may not receive the full benefits of reductions or offsets (e.g., during periods when the Adviser no longer receives Advisory Fees and receives compensation that would otherwise be subject to offset, the Adviser, depending on certain elections that may be made by Fund investors, may be entitled to retain such compensation without remitting any such amounts to the applicable Fund or its investments). The Adviser may, in its sole discretion, waive all or any portion of an Advisory Fee with respect to any Fund.

To the extent provided in the Governing Documents of the Funds, the Adviser will be responsible for all overhead expenses of the general partner, including compensation for the Adviser's employees, rent, utilities and other such expenses (not including Carried Interest described in Item 6 below). Consistent with the partnership agreements or other Governing Documents of the Funds, each Fund, in addition to the expenses contemplated by the applicable Governing Document, will be responsible for all other expenses of such Fund that are not reimbursed by portfolio companies, including without limitation: (i) legal, auditing, consulting (including, but not limited to, consulting fees incurred by the applicable Fund for the benefit of its portfolio company), financing, investment banking, accounting and professional fees and expenses; (ii) costs and expenses associated with the Fund's financial statements, tax returns, schedules and other reporting to the Fund's investors, including the costs and expenses associated with any software or online data portal used in connection with the maintenance of the Fund's books and with such reporting; (iii) unreimbursed transactional costs and expenses for transactions that have substantially progressed but do not close (such costs and expenses to be allocated between the applicable Fund and other Funds managed by the Adviser based on the amount of capital each Fund would have invested in the transaction), including travel, meals and entertainment, as well as compensation and expenses for Portfolio Advisors and "reverse" breakup fees to be paid by each fund in connection therewith, and, if applicable, any coinvestors' pro rata portion of such transactional costs related to unconsummated coinvestments (including any broken deal expenses and "reverse" break-up fees); (iv) other costs and expenses associated with originating, evaluating, negotiating, structuring, conducting due diligence, acquiring, investing in, monitoring, valuing, selling or otherwise disposing of the Fund's assets, including, without limitation, appraisal fees, taxes, brokerage fees, underwriting commissions and discounts, research expenses (including third party service



providers, subject and industry-matter experts), travel expenses, legal, accounting, financing, commitment, origination, investment banking, consulting, professional and similar fees and expenses, and any carrying costs of a Fund associated with a post-closing sell-down to a Coinvestment Vehicle; (v) costs and expenses incurred in connection with the carrying, monitoring, advising or managing of investments, including brokerage commissions, custodial expenses, appraisal fees, record keeping and other administration fees and investment costs; (vi) expenses incurred by a Fund's general partner in its capacity as the Fund's tax matters partner or partnership representative, as applicable, or similar role under applicable state or local tax law; (vii) taxes, fees or other governmental charges levied against a Fund or on its income or assets or in connection with its business or operations and all expenses incurred in connection with any tax audit, investigation, settlement or review of the Fund, in each case to the extent such amounts are not (A) allocable to, or subject to indemnification by, a partner, and (B) actually borne or paid by such partner; (viii) costs and expenses of litigation or other matters that are the subject of indemnification and the costs and expenses of other extraordinary events involving a Fund and the amount of any judgments or settlements paid in connection therewith; (ix) costs of insurance policies, including liability, errors and omissions insurance for a Fund's general partner and the Adviser; (x) costs of winding up and liquidating a Fund and its subsidiaries; (xi) expenses incurred in connection with a Fund's advisory committee, including meetings thereof and any reasonable out-of-pocket expenses of its members associated with such meetings, as well as expenses incurred in connection with the engagement of third-party advisors pursuant to the Governing Documents; (xii) costs and expenses incurred in connection with the meetings of the Funds' investors, including meals and the costs and expenses of any guest speakers; (xiii) costs and expenses of third-party administrator services; (xiv) expenses relating to a defaulting investor; (xv) expenses relating to the formation and maintenance of any alternative investment vehicle; (xvi) interest on and fees and expenses arising out of all permitted borrowing and guarantees made by a Fund and all expenses incurred in negotiating, entering into, effecting, maintaining, varying and terminating any borrowing or guarantee; (xvii) costs and expenses in connection with government and regulatory filings (excluding Form ADV and Form PF), including costs and expenses associated with any filing required to be made with respect to one or more investors as a result of their jurisdiction or status, to the extent not reimbursed by such investor(s); (xviii) expenses incurred in connection with any restructuring or amendments to the constituent documents of a Fund and related entities, including such Fund's general partner, to the extent necessary to implement a restructuring or amendment of the Fund's documents; (xix) costs and expenses incurred in connection with the employment of any selling agent, broker, placement agent or finder (other than placement agent fees payable in connection with the sale of limited partnership interests in a Fund); (xx) indemnification expenses and advances; (xxi) expenses incurred in connection with distributions to a Fund's investors; (xxii) expenses relating to reports and other information prepared for and delivered to a Fund's investors; (xxiii) reasonable expenses for business development, travel, meals and entertainment directly related to the development and management of portfolio companies and potential portfolio companies, to the extent not reimbursed by a third party or a portfolio company; (xiv) communications expenses; (xv) expenses associated with the transfer of a limited partnership interest in a Fund that are not borne by the applicable investor or transferee; and (xvi) expenses incurred in connection with complying with provisions in investor side letter agreements, including "most favored nation" provisions.

From time to time, the general partner of a Fund may create certain “special purpose vehicles” or similar structuring vehicles for purposes of accommodating certain tax, legal and regulatory considerations of investors (“SPVs”). In the event the general partner creates an SPV, consistent with the Governing Documents of the applicable Fund, the SPV, and indirectly, the investors thereof, will typically bear all expenses related to its organization and formation and other expenses incurred solely for the benefit of the SPV. Expenses of the types borne by a Fund but associated with any feeder fund or similar vehicle organized to facilitate the participation of certain investors in the Fund (including, without limitation, expenses of accounting and tax services) may be borne by the Fund.

The Adviser, from time to time, enters into arrangements with third-party advisers and consultants who provide services relating to deal-sourcing and investment opportunities, for which such advisers and consultants are paid compensation or other fees. Any fees and expenses associated with such investment opportunities will be allocated to the applicable Fund(s), consistent with the allocation process described herein.

From time to time the Adviser will be required to decide whether certain fees, costs and expenses should be borne by a Fund, on the one hand, or the Adviser on the other hand, and/or whether certain fees, costs and expenses should be allocated between or among Funds and/or other parties. Certain expenses may be the obligation of one particular Fund and may be borne by such Fund or, expenses may be allocated among multiple Funds and entities. Such allocation determinations are inherently subjective and give rise to conflicts of interest due to the inherent biases in the process. As a result, the portion of an expense allocated to a Fund for a particular service may not reflect the relative benefit derived by such Fund from that Service in any particular instance.

Additionally, please see Item 6 below regarding “Carried Interest” that the Funds may pay.

Although the Adviser does not often utilize the services of broker-dealers to effect portfolio transactions for the Funds, in the event that it chooses to use a broker-dealer for limited purposes relating to a particular Fund, such Fund will incur brokerage and other transaction costs. For additional information regarding brokerage practices, please see Item 12 below.

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

With respect to each Fund, upon reaching the level of return required by a Fund’s Governing Documents, a portion of the profits of each such Fund will be allocated to the capital account of and distributed to its general partner, if any, as “carried interest” (the “Carried Interest”). Each general partner of a Fund is a related person of the Adviser. Carried Interest paid by a Fund is indirectly borne by investors in such Fund. Certain Funds, and investors in such Funds, may incur varying levels of Carried Interest.

The payment of Carried Interest at varying rates (including varying effective rates based on the calculation methodology and/or the past performance of a Fund), creates an incentive for the Adviser to disproportionately allocate time, services or functions to Funds paying Carried Interest or Funds paying Carried Interest at a higher rate, or allocate investment opportunities to such Funds. Generally, and except as may be otherwise set forth in the Governing Documents of the

Funds, this conflict is mitigated by (i) limitations on the ability of the Adviser to establish new investment funds, (ii) contractual provisions requiring certain Funds to purchase and sell investments contemporaneously and/or (iii) contractual provisions and procedures setting forth Investment Allocation Requirements (as defined below). Please also see Item 11 below regarding allocations for additional information relating to how the Adviser generally addresses conflicts of interest.

## **Item 7. Types of Clients**

The Adviser currently provides investment advisory services to the Funds. Investment advice is provided directly to the Funds (subject to the discretion and control of the applicable general partner, if applicable) and not individually to investors in a Fund.

Interests in the Funds are offered pursuant to applicable exemptions from registration under the Securities Act and the 1940 Act. Investors in the Funds are generally “qualified purchasers” or “knowledgeable employees,” each as defined in the 1940 Act (and rules promulgated thereunder), and include, among others, university endowments, foundations, public and private pension funds, sovereign wealth funds, insurance companies and other financial institutions.

The Adviser generally requires minimum commitments of \$10 million for investors in all Funds, but the Adviser has in the past and may again in the future, in its sole discretion, permit investments below the minimum amounts set forth in the offering documents of such Fund.

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

### **Methods of Analysis and Investment Strategies**

The Adviser’s investment strategy is generally to seek to:

- Invest in businesses that, because of their strategic position, have attractive growth prospects;
- Partner with high quality management teams who are meaningful equity holders and who are committed to continuous improvement of the companies they operate;
- Utilize the Adviser’s extensive experience, internal capabilities and external resource base to serve effectively as active investors, directors and advisors to portfolio companies; and
- Structure prudently the capitalization of its companies to ensure growth while enhancing equity returns.

The Adviser pursues control and minority investments typically via one of the following transaction types:

- *Management recapitalizations and leveraged buyouts.* The Adviser assists in organizing buyouts (including turnarounds) and recapitalizations of businesses in which management teams retain significant ownership.

- *Growth capital investments.* The Adviser provides equity to companies that could benefit from late stage growth capital to support organic growth or acquisition strategies.
- *Investments in publicly traded securities.* The Adviser invests in marketable securities in instances where its analytical, operational and/or strategic skills and insights enable the Adviser to identify an appropriate return opportunity.

In addition, the Adviser's investments often share one or more of the following characteristics:

- *Consolidation strategy.* The Adviser supports companies with strong growth potential seeking to gain market share in their respective markets through organic and strategic industry consolidation.
- *Corporate carve-out.* The Adviser invests in divisions or subsidiaries of larger corporations with a view that those businesses will operate more effectively as independent companies.
- *Family / Founder-led Business.* The Adviser has a long history of partnering with families and founders and understanding their objectives for their businesses.
- *International.* The Adviser invests in companies that exhibit opportunities for growth across the globe.
- *Privatization.* The Adviser assists in converting government-owned organizations into private businesses.
- *Take-private.* The Adviser identifies public companies to take private in order to provide management with a more flexible environment to pursue long-term growth objectives.
- *Transformative acquisition/divestiture.* During the course of the Adviser's ownership, certain portfolio companies may pursue transformative acquisitions or divestitures, which materially change the capabilities, size and/or strategic focus of such companies.

### **Risks**

All securities investments involve a substantial degree of risk. A Fund may lose all or a substantial portion of its investments, and investors in the Funds must be prepared to bear the risk of a complete loss of their investments. Making an investment in a Fund is speculative, and such an investment is not intended as a complete investment program for any investor. In addition, there will be occasions when the Adviser will encounter potential conflicts of interest in connection with the Funds. In evaluating whether to make an investment in a Fund, potential investors should consider all information contained in a Fund's offering documents, including the considerations and risk factors set forth therein.

Material risks relating to the investment strategies and methods of analysis described above and to the types of securities typically purchased by or for the Funds, include, but are not limited to, the risks outlined in the following paragraphs.

## **Business Risks**

*Nature of Investments.* While investments in leveraged companies offer the opportunity for capital appreciation, such investments also involve a high degree of risk. A Fund's portfolio companies may be highly leveraged and, therefore, may be sensitive to adverse business or financial developments or economic factors. Moreover, rising interest rates may have a more pronounced effect on the profitability or survival of such companies. If a portfolio company cannot generate sufficient cash flow to meet principal or interest payments on its indebtedness, the Fund may suffer a partial or total loss of capital invested in such portfolio company.

*General Economic, Political or Regulatory Conditions.* General economic, political or regulatory conditions may affect a Fund's activities. Interest rates, general levels of economic activity, the price of securities, availability and terms of credit, changes in laws, regulatory interventions and changes in regulations, changes in fiscal policies, tax laws, trade barriers, commodity prices, currency exchange rates and controls, national and international political circumstances and participation by other investors in the financial markets may affect the value and number of investments made by a Fund or considered by a Fund for prospective investments. A Fund's investments can be expected to be sensitive to the performance of the overall economy. A negative impact on economic fundamentals and consumer confidence would likely increase market volatility and reduce liquidity, both of which could have a material adverse effect on the performance of a Fund's investments. No assurances can be given as to the effect of these economic, political or regulatory conditions on a Fund's investment objectives.

The recent change in the U.S. presidential administration has increased uncertainty regarding future political, legislative or administrative changes that may impact the Adviser, the Funds and their investments, and the range and potential implications of possible outcomes are difficult to predict. Such uncertainty may have an adverse effect on, or cause volatility in, the United States or global economies and currency and financial markets in the short or long term, which in turn could have a material adverse effect on the performance of a Fund's investments. In addition, such changes could impact the regulations applicable to the Adviser, the Funds, or their investments. While certain of such changes could have a beneficial impact, other changes may more beneficially impact competitors, or could adversely impact the Adviser, the Funds or their investments.

*Financial Market Fluctuations.* Fluctuations in the market prices of securities and economic conditions generally, particularly of the type experienced since 2008, may reduce the availability of attractive investment opportunities for the Funds and may affect the Funds' ability to make investments and the value of investments held by the Funds. For example, volatile market conditions can lead to significantly diminished availability of credit and an increase in the cost of financing, which can materially hinder the initiation of leveraged transactions. Instability in the securities markets and economic conditions generally also increase the risks inherent in the Funds' investments. The ability to realize investments depends not only on portfolio companies and their historical results and prospects, but also on political, market and economic conditions at the time of such realizations. Many private equity funds, including the Funds, sometimes look to the public securities markets as a potential exit strategy, and therefore, there can be no assurance that the Funds will be able to exit from their investments in portfolio companies by listing their shares on securities exchanges. The trading market, if any, for the securities of any portfolio company may

not be sufficiently liquid to enable a Fund to sell these securities when the Adviser believes it is most advantageous to do so, or without adversely affecting the stock price. Volatility in the financial sector may have a material adverse effect on the ability of the Funds to buy, sell and partially dispose of their portfolio company investments. The Funds may be adversely affected to the extent that they seek to dispose of any of their portfolio investments in an illiquid or volatile market, and a Fund may find itself unable to dispose of investments at prices that the Adviser believes reflect the fair value of such investments. Further, the ability of a portfolio company to refinance debt securities may depend on their ability to sell new securities in the debt market or otherwise.

*Valuation of Assets.* There is no actively traded market for most of the securities in which the Funds invest. When estimating fair value, the Adviser will apply a methodology based on its judgment as to what is appropriate in light of the nature, facts and circumstances of the investments. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties, and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities may ultimately be sold. Third-party pricing information is generally unavailable for a majority of a Fund's investments. With respect to a Fund, the exercise of discretion in valuation gives rise to potential conflicts of interest, as the Adviser's determination of the fair value of an investment will affect the Adviser's track record and the amount and timing of Carried Interest to the extent such valuation results in a writedown or writeoff, which could incentivize the Adviser to refrain from writing down or writing off investments. The valuations of the Funds' investments are reviewed annually by the Adviser's independent public auditors in connection with their annual audit of the Funds and subject to review and approval by the advisory committee. The Adviser has the authority to engage a third party to conduct an appraisal of the portfolio or a specific company within the portfolio.

*Geopolitical Risks and Force Majeure.* An unstable geopolitical climate and continued threats of terrorism could have a material effect on general economic conditions, market conditions and market liquidity. Additionally, a serious pandemic or a natural disaster could severely disrupt the global, national and/or regional economies. A resulting negative impact on economic fundamentals and consumer confidence may increase the risk of default of particular investments, negatively impact market value, increase market volatility and cause credit spreads to widen and reduce liquidity, all of which could have a material adverse effect on the performance of a Fund's investments. No assurance can be given as to the effect of these events on the value of or markets for investments.

*Guarantees of Portfolio Companies.* The Funds may guarantee the obligations of portfolio companies. As a result, if any such portfolio company defaults on its obligations, the applicable Fund(s) will be required to satisfy such obligation. In order to do so, the Funds may call capital, recall distributions or liquidate some or all of their investments prematurely at potentially significant discounts to fair value. However, at no time may the aggregate amount of borrowings and guarantees exceed the uncalled commitments and unexpended capital contributions, which should mitigate the likelihood that investments would need to be liquidated prematurely or distributions would need to be recalled in order to satisfy any such obligations.

*Bridge Investments.* From time to time, the Funds may lend to portfolio companies on a short-term, unsecured basis or otherwise invest on an interim basis in portfolio companies in anticipation of a future issuance of equity or long-term debt securities or other refinancing or syndication. However, for reasons not always in the Funds' control, such long-term securities issuance or other refinancing or syndication may not occur and such bridge loans and interim investments may remain outstanding. Any such loan or interim investment made by the Funds involves the risk of loss of the entire amount of such loan or interim investment. In addition, with respect to the making of any such loans, a Fund may be subject to various laws and regulations applicable to lenders, and the holding of such loans could potentially subject such Fund to various "lender liability" risks. In such event, the interest rate on such loans or the terms of such interim investments may not adequately reflect the risk associated with the position taken by the Fund.

*Coinvestments with Third Parties.* The Funds will from time to time coinvest with third parties and/or limited partners through jointly owned acquisition vehicles, partnerships, joint ventures or other structures. In such situations, the Funds' ability to control their equity investments will depend upon the nature of the joint investment arrangements with such coinvestors and the Funds' relative ownership stakes in such investments. A Fund may be a minority investor in these circumstances. In addition, such arrangements may restrict the Funds' ability to dispose of such investments for potentially significant periods of time. Such investments involve risks not present in investments where a third party is not involved. A co-venturer or partner of the Funds may at any time have economic or business interests or goals (including with respect to the timing of sale) which are inconsistent with those of the Funds and may be in a position to take action inconsistent with (or block actions which are consistent with) the Funds' investment objectives. The Funds may be liable for certain actions of their co-venturers or partners. Coinvestments may also involve higher costs than other investments.

*Follow-On Investments.* Following a Fund's initial investment in a portfolio company, the Fund may be asked to provide additional funds to, or have the opportunity to increase its investment in, such portfolio company. There is no assurance that a Fund will make follow-on investments or that a Fund will have sufficient resources to, or be permitted to, make all such follow-on investments. Any decision by a Fund not to make (or its inability to make) a follow-on investment may have a substantial negative impact on the portfolio company in need of such follow-on investment, may result in missed opportunities for the Fund or may result in a dilution of the Fund's investment in such portfolio company. There can be no assurance that a follow-on investment will be successful.

*Counterparty and Fraud Risk.* The Funds will be subject to the risk of the inability of counterparties and custodians to perform with respect to transactions or to safeguard assets, whether due to insolvency, bankruptcy or other causes, which could subject the Funds to substantial losses. Of paramount concern when purchasing securities and other assets is the possibility of material misrepresentation or omission on the part of a counterparty. Such inaccuracy or incompleteness may adversely affect the valuation of investments. The Funds rely upon the accuracy and completeness of representations made by counterparties but cannot guarantee that such representations are accurate or complete. Under certain circumstances, distributions to the Funds may be reclaimed if any such payments or distributions are later determined to have been fraudulent conveyances.

*Illiquid and Long-Term Investments.* Although a Fund's investments may generate current income, the return of capital and the realization of gains, if any, from such investment will most likely occur only upon the partial or complete disposition of such investment. While a Fund investment may be sold at any time, it is generally expected that the disposition of most of a Fund's investments will not occur for a number of years after such investments are made. Usually, a Fund will make investments in securities for which there is not a public market at the time of their acquisition. A Fund generally will not be able to sell such securities publicly unless their sale is registered under applicable securities laws, or will be able to sell the securities only under Rule 144 or other rules under the Securities Act, which permit only limited sales under specified conditions. In addition, in some cases, a Fund may be prohibited or limited by contract from selling certain securities for a period of time and, as a result, may not be able to dispose of a portfolio investment at a time it might otherwise desire to do so.

*Highly Competitive Market for Investment Opportunities.* The activity of identifying, completing and realizing attractive investments is highly competitive and involves a high degree of uncertainty. There can be no assurance that a Fund will be able to identify and complete investments that satisfy its investment objectives, or realize the value of such investments, or that it will be able to invest fully its commitments. Each Fund will be competing for investment opportunities against various other groups, including strategic or industry participants, and private equity or other investment firms or pools of capital.

*Past Performance not Indicative of Future Results.* The past performance of any other investment vehicle managed by the Adviser is not meant to be an indication of a Fund's potential future performance. The nature of, and risk associated with, a Fund may differ substantially from the Adviser's historical investments and strategies. Therefore, there can be no assurance that a Fund will avoid losses in the future or perform as well as the past investments of a Fund managed by the Adviser.

*Third-Party Advice.* The Adviser, the Funds and their portfolio companies utilize the services of attorneys, accountants and other advisors and consultants in their operations. The Adviser and the Funds generally rely upon such advisors for their professional judgment with respect to legal, tax and other regulatory matters. Nevertheless, there exists a risk that such advisors may provide incorrect advice from time to time. Neither the Adviser nor the Funds will have any liability to investors for any reliance upon such advice.

*Concentration of Investments; Potential Lack of Diversification.* Each Fund will participate in a limited number of investments and, as a consequence, the aggregate return of a Fund may be substantially adversely affected by the performance of a single investment. Furthermore, a Fund will typically invest in a limited number of portfolio companies and will be concentrated in a few industries, and the returns of a Fund may be substantially impacted by adverse developments in a particular portfolio company or industry in which the Fund has greater concentration.

*Disposition of Private Investments; Potential Return of Distributions.* Most of a Fund's investments will involve private securities, which are generally more difficult to sell than publicly traded securities as there is often no liquid market. This lack of liquidity may result in selling such private securities at a discount. In connection with the disposition of an investment in private



securities, a Fund may agree to purchase price adjustments and may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of a business. A Fund may be obligated to fund additional proceeds pursuant to such purchase price adjustments and also may be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate. These transactions may ultimately yield funding obligations that must be satisfied by the investors in a Fund to the extent of their unfunded commitments or prior distributions received.

*Investments in Less Established Businesses.* A Fund may invest a portion of its assets in less established companies. Such investments may involve greater risks than those that are generally associated with investments in more established companies. To the extent there is any public market for the securities held by a Fund in any less established companies, such securities may be subject to more abrupt and erratic market price movements than those of larger, more established companies. Less established companies tend to have lower capitalizations and fewer resources and, therefore, often are more vulnerable to financial failure. Less established companies also may have shorter operating histories on which to judge future performance and may have negative cash flow. As such, an investment in a less established company should be considered highly speculative and may result in the loss of a Fund's entire investment in such company.

*Projections.* A Fund may rely upon projections developed by the Adviser or a portfolio company concerning a portfolio company's future performance, outcome and cash flow. Projections are inherently uncertain and beyond the control of the Adviser and such portfolio company. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of other unforeseen events could impair the ability of a portfolio company to realize projected values, outcomes and cash flow.

*Expedited Transactions.* The Adviser may be required to undertake investment analyses and decisions on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the Adviser at the time an investment decision is made may be limited, and the Adviser may not have access to detailed information regarding the investment. Therefore, no assurance can be made that the Adviser will have knowledge of all circumstances that may adversely affect an investment.

*Investments Longer than Term.* A Fund may make investments that, for various reasons, may not be capable of an advantageous disposition prior to the date the Fund is required to be dissolved, either by expiration of the Fund's term or otherwise. A Fund may sell, distribute in-kind or otherwise dispose of investments at a disadvantageous time as a result of such Fund's dissolution.

*Equity Securities.* The Funds invest, and intend to continue investing, in common and preferred stock and other equity securities, including public and private equity securities. Equity securities generally involve a high degree of risk and will be subordinate to debt securities and other indebtedness of the issuers of such equity securities. Prices of equity securities generally fluctuate more than prices of debt securities and are more likely to be affected by poor economic or market conditions. In some cases, the issuers of such equity securities may be highly leveraged or subject to other risks, such as limited product lines, markets or financial resources. In addition, actual and

perceived accounting irregularities may cause dramatic price declines in equity securities. The Funds may experience a substantial or complete loss on individual equity securities.

*Debt Investments.* The Funds are permitted to invest in debt securities, including, without limitation, higher yielding (and, therefore, higher risk) debt securities. In certain cases, such debt will be rated below “investment grade” or will be unrated and face ongoing uncertainties and exposure to adverse business, financial or economic conditions and the issuer’s failure to make timely interest and principal payments. The market values of certain of these debt securities may reflect individual corporate developments. It is likely that a major economic recession could have a material adverse impact on the value of such securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the value and liquidity of these debt securities. In addition, debt investments are subject to credit and interest rate risks.

*Control Position.* The Adviser will generally seek investment opportunities that allow a Fund to have meaningful influence on the management, operations and strategic direction of the portfolio companies in which such Fund invests. The exercise of control and/or meaningful influence over a portfolio company imposes additional risks of liability for regulatory non-compliance, environmental damage, product defects, failure to supervise management and other types of liability in which the limited liability of such portfolio company may be ignored. The exercise of control and/or meaningful influence over a portfolio company could expose the assets of a Fund to claims by such portfolio company, its regulators, its security holders and its creditors.

*Non-Controlling Investments.* Funds hold, and expect in the future to hold, non-controlling interests in certain portfolio companies, including in the form of marketable securities, debt securities or similar debt- or equity-like instruments and, therefore, may have a limited ability to protect its position in such investments. Any other control persons with respect to such portfolio companies may have economic or business interests or goals that are inconsistent with those of a Fund, and such Fund may not be in a position to protect the value of such investments. In addition, if a Fund takes a non-controlling interest in publicly-traded securities as a “toehold” investment, such publicly-traded securities may fluctuate in value over the limited duration of a Fund’s investment in such securities, which could potentially reduce returns to investors. Therefore, there can be no assurance that a Fund will be able to realize the value of any such investments and distribute proceeds in a timely manner. In addition, although a Fund will generally seek board representation in connection with its non-controlling interests, there is no assurance that such representation, if sought, would be obtained.

*Regulatory Risks.* New legal, tax and regulatory changes could occur during the term of a Fund that may adversely affect such Fund. New laws or revised regulations may be imposed by the SEC, the U.S. Federal Reserve or other banking regulators, other governmental regulatory authorities, non-U.S. governments or self-regulatory organizations that supervise the financial markets. The Funds may also be adversely affected by changes in the enforcement or interpretation of existing statutes and rules by these governmental regulatory authorities or self-regulatory organizations. The regulatory environment for private investment funds and advisers thereto is evolving, and changes in the regulation of private investment funds or such advisers may adversely affect the value of the investments held by a Fund and the ability of the Adviser to execute such

Fund's investment strategy. The impact of any such future laws or regulations is uncertain and could have a substantial and adverse impact on a Fund and its investors.

*Environmental Hazards.* Under environmental laws enacted by U.S. Federal and state governments, owners and lessees of property may be liable for the clean-up and removal of hazardous substances even where the present owner was not responsible for placing the hazardous substances on the property or where the property was contaminated prior to the time the owner took title. If any property acquired or leased by a portfolio company was found to have an environmental problem, the portfolio company could incur substantial costs and a Fund could suffer a complete loss of its investment in such portfolio company.

*Non-U.S. Investments.* A Fund may invest globally, including in portfolio companies domiciled in emerging markets. Foreign securities involve certain risks not typically associated with investing in U.S. securities, including risks relating to (i) currency exchange matters, (ii) differences between the U.S. and foreign securities markets, including potential price volatility in and relative illiquidity of some foreign securities markets, (iii) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation, (iv) the potential for rapid fluctuations in inflation rates, (v) certain economic and political risks, including possible regulations and restrictions on foreign investment and repatriation of capital and the risks of economic, political or social instability, (vi) foreign governmental approvals and compliance with foreign laws and regulations, (vii) the possible imposition of foreign taxes on income and gains recognized with respect to such securities, (viii) more rudimentary anti-fraud and anti-insider trading regulation and (ix) less developed corporate laws regarding fiduciary duties and the protection of investors. A Fund's historical returns on its U.S. investments may not be indicative of the results it may achieve on future investments located in foreign countries. There may be no prohibitions or restrictions on the ability of management to terminate existing business operations, sell or otherwise dispose of a portfolio company's assets, or otherwise materially affect the value of such portfolio company without the consent of such portfolio company's shareholders. Anti-dilution protection also may be very limited.

*Currency Exchange Risk and Possible Hedging Activities.* Capital contributions to each Fund are payable in U.S. dollars, and each Fund's assets will be valued in U.S. dollars. Certain of the Funds' investments may be denominated in currencies other than the U.S. dollar, and hence the value of such investments would depend in part on the relative strength of the U.S. dollar. A Fund may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rate between foreign currencies and the U.S. dollar, as well as the transaction costs associated with converting foreign currencies into U.S. dollars. Changes in foreign currency exchange rates may also affect the value of dividends and interest earned, and the levels of gains and losses realized on the sale of such investments, and the possible use of hedging strategies may limit the ability of a Fund to profit from the increase in the value of an investment above a certain price. The rates of exchange between the U.S. dollar and other currencies are affected by many factors, including forces of supply and demand in the foreign currency exchange markets. Exchange rates also are affected by the international balance of payments and other economic and financial conditions, government intervention, speculation and other factors. The Funds may, but are not obligated to, engage in any currency hedging operations in order to minimize the risk of a decrease in the value of one or more investments. The use of hedging strategies is a highly specialized activity, and there

can be no assurance as to the success of any hedging operations that the Funds may implement or that their use will achieve the intended results. While such hedging transactions may reduce certain risks, such transactions themselves may entail certain other risks, including (but not limited to) counterparty credit risk and market liquidity risk. In addition, if judgments made with respect to future stock prices, exchange rates, market conditions or trends are not correct, these hedging strategies could result in losses to a Fund.

*Cybersecurity Risk.* The Adviser, the Funds' service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect a Fund and its investors, despite the efforts of the Adviser and the Funds' service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to a Fund and its investors. Cyber incidents refer to both intentional attacks and unintentional events including: processing errors, human errors, technical errors including computer glitches and system malfunctions, inadequate or failed internal or external processes, market-wide technical-related disruptions, unauthorized access to digital systems (through "hacking" or malicious software coding), computer viruses, and cyber-attacks which shut down, disable, slow or otherwise disrupt operations, business processes or website access or functionality (including denial of service attacks). For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to these systems of the Adviser, the Funds' service providers, counterparties or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of the Adviser's systems to disclose sensitive information in order to gain access to the Adviser's data or that of the Funds' investors. A successful penetration or circumvention of the security of the Adviser's systems could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause the Funds, the Adviser or their service providers to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures or financial loss. In addition, the Adviser may incur substantial costs related to forensic analysis of the origin and scope of a cybersecurity breach, increased and upgraded cybersecurity to prevent any cyber incidents in the future, identity theft, unauthorized use of proprietary information, adverse investor reaction or litigation. While the Adviser believes that the Funds' critical service providers have established business continuity plans in the event of, and risk management systems to prevent, such cyber incidents, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Furthermore, the Adviser cannot control the cybersecurity plans and systems put in place by a Fund's service providers or any other third parties whose operations may affect the Funds.

Similar types of operational and technology risks are also present for the Funds' portfolio companies, which could have material adverse consequences for such portfolio companies, and may cause the Funds' investments to lose value.

***Tax Reform Risks.*** President Trump signed into law a broad-based reform of the Internal Revenue Code of 1986, as amended (the “Code”) on December 22, 2017 (the “Tax Act”). There are significant uncertainties regarding the interpretation and application of the Tax Act. While additional guidance on the Tax Act is expected, the timing, scope and content of such guidance are not known. Changes to the Code made by the Tax Act and any further changes in tax laws or interpretation of such laws may be adverse to the Funds and their limited partners. In addition, although not free from doubt, the Tax Act subjects allocations of income and gain in respect of entitlements to carried interest and gain on the sales of profits interests in certain partnerships realized in taxable years beginning after December 31, 2017 to higher rates of U.S. federal income tax than under prior law in certain circumstances. Significant uncertainties remain regarding the application of the provisions of the Tax Act that affect the taxation of carried interest. Enactment of this legislation could cause the Adviser’s investment professionals to incur a material increase in their tax liability with respect to their entitlement to carried interest. This might make it more difficult for the Adviser to incentivize, attract and retain these professionals, which may have an adverse effect on the Adviser’s ability to achieve the investment objectives of the Funds. In addition, this can create a conflict of interest as the tax position of the Adviser may differ from the tax positions of the Funds and/or the investors and therefore, these rules may have an additional impact on the investment decisions made by the Funds, including with respect to decisions on the timing and structure of dispositions and whether to pursue other realization events during the holding period of an investment such as non-liquidating distributions. For example, the tax law gives the Adviser an incentive to cause a Fund to hold an investment for longer than 3 years in order to obtain lower tax rates on carried interest gains even if there are attractive realization opportunities earlier than 3 years.

### Management Risks

***Reliance on Managing Directors.*** The success of a Fund depends in substantial part upon the skill and expertise of the Managing Directors of the Adviser and others providing investment advice with respect to a Fund. There can be no assurance that these key investment professionals will continue to be associated with the Adviser throughout the life of a Fund. The loss of key personnel could have a material adverse effect on a Fund’s ability to realize its investment objectives. Competition in the financial services industry for qualified investment professionals and other personnel is intense, and there is no guarantee that the talents of the Adviser’s departing investment professionals could be replaced. The success of a Fund depends on the Adviser’s ability to identify and willingness to provide acceptable compensation arrangements to attract, retain and motivate talented investment professionals and other personnel. Such compensation arrangements may provide that an investment professional or other person may, in certain circumstances after the individual is no longer employed or retained by the Adviser or a portfolio company, be granted a continuing interest in respect of particular investments. In addition, the Managing Directors of the general partner for one Fund are generally also the Managing Directors of the general partners of each other Fund and the Adviser. They will have demands made on their time for the investment, monitoring, exit strategy and other functions of all Funds, Stockbridge and the Adviser.

***Portfolio Company Management.*** Many portfolio companies rely on the services of a limited number of key individuals, the loss of any one of whom could significantly adversely affect the

portfolio company's performance. Although the Adviser expects to monitor portfolio company management, management of each portfolio company will have day-to-day responsibility with respect to the business of each such portfolio company. There can be no assurance that the existing management team of a portfolio company, or any new team, will be able to successfully operate such portfolio company. A portfolio company's success may depend on the management talents and efforts of one person or a small group of persons whose death, disability or resignation would significantly adversely affect the portfolio company's performance.

*Board Participation.* A Fund will typically be represented by the Adviser's investment professionals on the boards of directors of certain of its portfolio companies or may have its representatives serve as observers to such boards of directors. Although such positions in certain circumstances may be important to such Fund's investment strategy and could enhance the Adviser's ability to manage the investments, they may also have the effect of impairing the Adviser's ability to sell the related securities when, and upon the terms, it may otherwise desire, and may subject the Adviser and a Fund to claims they would not otherwise be subject to as an investor, including claims of breach of fiduciary duties, violations of securities laws and other director-related claims. In general, the Adviser and its respective partners, members, agents, employees and affiliates, Advisory Directors, other Portfolio Advisors and the members of a Fund's advisory committee and the investors represented by such members will be entitled to indemnification by the Funds for such claims, subject to certain conditions.

*Litigation.* Litigation can and does occur in the ordinary course of the management of investments. A Fund, the Adviser and/or their respective partners, members, agents, employees and affiliates, Advisory Directors, other Portfolio Advisors and the members of the advisory committees may be engaged in litigation both as a plaintiff and as a defendant. This risk is somewhat greater where a Fund exercises control or significant influence over a portfolio company's direction, including as a result of board participation. Such litigation can arise as a result of a portfolio company default of obligations, a portfolio company bankruptcy or other reasons. In certain cases, portfolio companies or their constituents may bring claims and/or counterclaims against a Fund, the Adviser and/or their respective partners, members, agents, employees and affiliates, Advisory Directors, other Portfolio Advisors and the members of a Fund's advisory committee and the investors represented by such members alleging violations of securities laws and corporate, contractual and other typical claims and counterclaims seeking significant damages. To the extent that (i) a Fund has not been able to protect itself through insurance, indemnification or other rights against a portfolio company, (ii) a Fund is not entitled to such protections, or (iii) the portfolio company is not solvent, the expense of defending against claims made against a Fund by third parties and paying any amounts pursuant to settlements or judgments would be borne by such Fund pursuant to indemnification obligations. The Adviser and its respective partners, members, agents, employees and affiliates, Advisory Directors, other Portfolio Advisors and the members of a Fund's advisory committee and the investors represented by such members will be entitled to indemnification by the Funds for such claims, subject to certain conditions.

### **Item 9. Disciplinary Information**

Item 9 is not applicable to the Adviser.

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

### **Related General Partners**

As mentioned above, various entities serve as general partners of the Funds, and each general partner of a Fund is a related person of the Adviser. For a description of material conflicts of interest created by the relationship among the Adviser and the general partners, as well as a description of how such conflicts are addressed, please see Item 11 below.

### **Affiliated Adviser**

The Adviser considers the relationship with its affiliated adviser, Stockbridge, to be material to its advisory business. Stockbridge is separately registered as an investment adviser with the SEC and, like the Adviser, is a wholly-owned subsidiary of BPSP, L.P. Stockbridge pursues a marketable securities strategy and primarily invests in publicly traded securities. For a description of material conflicts of interest created by the relationship between the Adviser and its affiliated adviser, as well as a description of how such conflicts are addressed, please see Item 11 below.

### **Affiliated Pooled Investment Vehicles**

The pooled investment vehicles advised by Stockbridge are, by virtue of the Adviser's relationship with Stockbridge, affiliated with the Adviser and the Funds. Although they have different investment objectives, the Funds may from time to time participate in transactions alongside the pooled investment vehicles and other clients advised by Stockbridge. For a description of material conflicts of interest created by the relationship between the Adviser and any such affiliated pooled investment vehicles or accounts, as well as a description of how such conflicts are addressed, please see Item 11 below.

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

### **Code of Ethics**

The Adviser has adopted a written code of ethics (the "Code of Ethics") that is applicable to (i) all of its Managing Directors, principals, partners, officers (or any person performing similar functions) and employees; (ii) every natural person (whether or not an employee of the Adviser) that is subject to the Adviser's supervision and control that (a) has access to nonpublic information regarding a Fund's purchase or sale of securities, (b) is involved in making securities recommendations to a Fund, or (c) has access to nonpublic securities recommendations to a Fund, as well as officers and employees of Stockbridge and certain independent contractors; and (iii) members of the household of any of the natural persons listed under (i) and (ii) (collectively, "Adviser Personnel"). The Code of Ethics, which is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 (as amended, the "Advisers Act"), establishes guidelines for professional conduct and personal trading procedures, including certain preclearance and reporting obligations. The Code of Ethics prohibits Adviser Personnel (other than certain Advisory Directors of the Adviser) from purchasing certain "covered securities" for their own accounts.

Under the Code of Ethics, Adviser Personnel are also required to file certain periodic reports with the Adviser's Chief Compliance Officer ("CCO") as required by Rule 204A-1 under the Advisers Act. The Code of Ethics helps the Adviser detect and prevent potential conflicts of interest.

Adviser Personnel who violate the Code of Ethics may be subject to remedial actions, including, but not limited to, unwinding of any applicable trade, profit disgorgement, fines, censure, demotion, suspension or dismissal. Adviser Personnel are also required to promptly report any violation of the Code of Ethics of which they become aware. Adviser Personnel are required to annually certify compliance with the Code of Ethics.

A copy of the Code of Ethics is available to any Client or prospective client upon written request to [Compliance@berkshirepartners.com](mailto:Compliance@berkshirepartners.com).

### **Participation or Interest in Client Transactions**

The Adviser, certain employees of the Adviser and Stockbridge and certain Portfolio Advisors to the Adviser invest in and alongside the Funds, including through the general partners, as direct or indirect investors in the Funds or through separate investment vehicles. A Fund or its general partner, as applicable, typically will waive or reduce all or a portion of the Advisory Fee and Carried Interest related to investments held by such persons. In addition, certain employees or other related persons of the Adviser and Berkshire are investors in, or managers of, certain investors in the Funds. This creates a conflict of interest, as the Adviser may be incentivized to give such investors preferred terms with respect to its investment in a Fund. For further details regarding these arrangements, as well as conflicts of interest presented by them, please see "*Conflicts of Interest*" immediately below.

Although all investors in a Fund receive a standard set of offering materials for a Fund, including a private placement memorandum, applicable Governing Documents and such other due diligence information that the Adviser believes may be helpful to an investor in evaluating an investment in such Fund, potential investors in a Fund (including purchasers of a limited partner's interests in a secondary transaction) or a coinvestment opportunity (see below) may ask different questions and request different information in addition to the information the Adviser provides to all prospective investors. In response to such requests, the Adviser provides from time to time additional or more detailed information to one or more investors or prospective investors that it does not provide to all of the prospective investors or limited partners.

### **Conflicts of Interest**

The Adviser and its related entities engage in a broad range of activities, including investment activities for their own accounts and for the accounts of other investment funds, and providing transaction-related, investment advisory, management and other services to funds and operating companies. In the Adviser's ordinary course of conducting its activities, the interests of a Fund can conflict with the interests of the Adviser, other Funds or their respective affiliates. Certain of these conflicts of interest, as well as a description of how the Adviser addresses such conflicts of interest, can be found below.



The Adviser, from time to time, establishes certain investment vehicles through which certain employees, business associates, and “friends and family” of the Adviser or Stockbridge and their personnel (“Adviser Investors”), certain individuals and entities that are also investors in one or more Funds, and/or individuals and entities that are not investors in any Funds (“Third Parties”) may invest alongside one or more of the Funds in one or more investment opportunities. The establishment of certain of these vehicles, referred to herein as “Coinvestment Vehicles,” may be required by a Fund’s Governing Documents. Coinvestment Vehicles are typically contractually required to purchase and sell certain investment opportunities at substantially the same time and substantially the same terms as the applicable Fund that is invested in that investment opportunity. Coinvestment Vehicles comprised primarily of Adviser Investors or formed for a specific investment opportunity only typically do not pay Advisory Fees or Carried Interest. Committed Coinvestment Vehicles comprised primarily of Third Parties will typically pay fees and compensation to the Adviser. See the discussion of the potential conflicts associated with such fee arrangements below under “*Allocation of Investment Opportunities among Funds and Allocation of Coinvestment Opportunities.*”

*Resolution of Conflicts.* In the case of all conflicts of interest, the Adviser’s determination as to which factors are relevant, and the resolution of such conflicts, will be made using the Adviser’s best judgment, but in its sole discretion. In resolving conflicts, the Adviser will consider various factors, including, for example, the interests of the applicable Funds with respect to the immediate issue and/or with respect to their longer term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors may mitigate, but will not eliminate, conflicts of interest:

- A Fund will not make an investment unless the Adviser believes that such investment is an appropriate investment considered solely from the viewpoint of such Fund;
- Many important conflicts of interest will generally be resolved by set procedures, restrictions or other provisions set forth in a Fund’s Governing Documents and/or in the Adviser’s Compliance Policies and Procedures Manual;
- Conflicts of interest related to the allocation of opportunities between the Funds and Stockbridge Funds (as defined below) are mitigated because the Funds generally pursue different investment strategies from the pooled investment vehicles and accounts advised by Stockbridge;
- Generally, each Fund has established an advisory committee, consisting of representatives of investors not affiliated with the Adviser. Each Fund’s advisory committee meets as required and requested by the Adviser to consult with the Adviser as to certain potential conflicts of interest. On any issue involving actual conflicts of interest, the Adviser will be guided by its good faith discretion;
- Where the Adviser deems appropriate, unaffiliated third parties may be used to help resolve conflicts, such as the use of an investment banker to opine as to the fairness of a purchase or sale price; and
- Prior to subscribing for interests in a Fund, each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of the Fund.

In addition, certain provisions of a Fund's Governing Documents are designed to protect the interests of investors in situations where conflicts may exist, although these provisions do not eliminate such conflicts. In certain instances, some of such conflicts of interest may be resolved in a manner adverse to a Fund and its ability to achieve its investment objectives.

*Conflicts.* The material conflicts of interest encountered by a Fund include those discussed below, although the discussion below does not necessarily describe all of the potential conflicts that may be faced by a Fund. Other conflicts may be disclosed throughout this Brochure and in the offering documents of each Fund, and these materials should be read in their entirety for other conflicts.

In addition to a Fund, the Adviser and its affiliates serve and in the future may serve as the investment manager to certain other entities, including other Funds. Additionally, the Managing Directors of the general partner of one Fund are generally also Managing Directors of the general partners of each other Fund, the Adviser and Stockbridge. As such, certain conflicts could arise in the allocation of investment opportunities and in connection with the acquisition and/or disposition of investments by a Fund. Please see "*Stockbridge*," "*Other Strategies*" and "*Allocation of Investment Opportunities among Funds and Allocation of Coinvestment Opportunities*" below for important information on allocations of investment opportunities. In addition, there are certain restrictions on the ability of a Fund to invest in portfolio companies of the other Funds.

The Adviser has adopted written policies and procedures relating to the allocation of investment opportunities and will make allocation determinations consistently therewith.

*Stockbridge.* Stockbridge primarily invests in publicly traded securities without seeking or obtaining governance rights. However, from time to time, Stockbridge and its affiliates will provide investment advice to investment funds and managed accounts that follow investment programs similar to or different from those of the Funds (each, a "Stockbridge Fund"), and Stockbridge Funds have in the past and are likely in the future to continue to invest in the same companies in which the Funds are invested. The Funds have no interest in Stockbridge Funds. Conflicts of interest among the Funds and Stockbridge Funds, which include, but are not limited to, those described below, may exist. As deemed appropriate, the Adviser may notify or seek the advice of a Fund's advisory committee.

There may be a conflict of interest in the allocation of investment opportunities among the Funds and Stockbridge Funds. Investments by a Fund and a Stockbridge Fund in the same portfolio company may raise the risk of using the assets of a Fund to support positions taken by a Stockbridge Fund. The Adviser, Stockbridge and their affiliates will evaluate for the Funds or Stockbridge Funds a variety of factors which may be relevant in determining whether a particular investment opportunity is appropriate and feasible for the Funds or Stockbridge Funds, including the nature of the investment opportunity taken in the context of the other investments at the time, the potential liquidity of the investment relative to the needs of the Funds or Stockbridge Funds, investment or regulatory limitations and the transaction costs involved. Because these considerations will generally differ for the Funds and one or more Stockbridge Funds in the context of any particular investment opportunity, investment activities of the Funds and Stockbridge Funds will generally differ considerably. To the extent required by a Fund's Governing Documents and to the extent legally or contractually permitted, prior to a Fund making any investment in a

portfolio company in which a Stockbridge Fund holds an investment, the Adviser will provide notice of such investment to the Fund's advisory committee.

In general, investments in publicly traded equity securities without the desire for governance rights will be allocated to Stockbridge Funds, and investments in privately held equity securities will be allocated to the Funds. However, from time to time, Stockbridge Funds and the Funds will invest in the same securities, and there can be no assurances that an investment opportunity which comes to the attention of the Adviser will not be allocated wholly or primarily to Stockbridge Funds based on, among other things, the factors listed above, with the Funds being unable to participate in such investment opportunity or participating only on a limited basis.

A Fund (or the Adviser on a Fund's behalf) or a Stockbridge Fund may invest in opportunities that other Funds have declined, and likewise, a Fund (or the Adviser on a Fund's behalf) or a Stockbridge Fund may decline to invest in opportunities in which other Funds or Stockbridge Funds have invested. A conflict of interest arises when one Fund or Stockbridge Fund, in such circumstances, benefits from the initial evaluation, investigation and due diligence undertaken by the Adviser on behalf of the original Fund considering the investment. In such circumstances, the benefitting Fund or Stockbridge Fund typically will not be required to reimburse the original Fund for expenses incurred in connection with researching such investment.

A Fund could be disadvantaged because of the activities conducted by Stockbridge or its affiliates for Stockbridge Funds as a result of, among other things, (i) legal restrictions on the combined size of positions held for all accounts managed by the Adviser, Stockbridge or their affiliates, thereby limiting the size of a Fund's position, (ii) the difficulty of liquidating an investment for more than one account where the market cannot absorb the sale of the combined positions and (iii) the regulatory filing obligations that could be imposed on the Adviser, Stockbridge or their affiliates if, for example, the Adviser, Stockbridge and their affiliates are treated as members of a "group," resulting in aggregation of their holdings for purposes of their regulatory filing obligations or the applicability of short-swing profit disgorgement rules with respect to such acquisitions and dispositions, where the Funds and the Adviser would not have been subject to such filing obligations and short-swing profit rules in the absence of Stockbridge Funds being invested in the same securities. These filing obligations and short-swing profit rules may cause the Adviser to make investment decisions for the Funds different from the decisions it would have made in the absence of affiliation with Stockbridge. The Funds intend to manage their investments so as to avoid the short-swing profit liability provisions of Section 16 of the Securities Exchange Act of 1934, as amended.

*Other Strategies.* The Adviser or its affiliates may pursue investment strategies that it believes are complementary to the business of the Adviser, such as debt financing investments (e.g., bank loan participations or assignments, bonds, mezzanine debt or similar investments), including minority investments in or related to the debt financing of a portfolio company of a Fund. For example, the Adviser is currently contemplating development of its debt investing capabilities. From time to time in connection with the foregoing, affiliates of the Adviser may potentially invest in the debt of a Fund's portfolio companies (subject to the restrictions set forth in the Governing Documents for the applicable Fund) which is likely to raise the conflicts described in the following paragraph. Further, pursuing such strategies that differ from that of a Fund could create conflicts of interest

among such Fund and the Adviser's affiliates that invest in debt securities. If such strategies are pursued, there may be a conflict of interest in the allocation of investment opportunities among a Fund and such affiliates. In such event, similar to Stockbridge, the Adviser will evaluate for such Fund or such affiliates a variety of factors which may be relevant in determining whether a particular investment opportunity is appropriate and feasible for such Fund or such affiliates, including the nature of the investment opportunity taken in the context of market conditions at the time.

As noted above, the Adviser or its affiliates, on behalf of a Fund, are expected to occasionally invest in the debt securities of a portfolio company of a Fund, and a Fund may also invest in a portfolio company in which such affiliates have previously made or concurrently will make an investment. Investments made by such affiliates and a Fund could be in different parts of a portfolio company's capital structure, including with respect to seniority, interest rates, security, dividends, voting rights and participation in liquidation proceeds. In addition, such investments could be acquired by a Fund and such affiliates at different times or at different prices. As a result, the interests and/or investment objectives of a Fund and such affiliates may differ in the case of financial distress of such portfolio company, including the structuring of, or exercise of rights with respect to, investment transactions and the timeframe for and method of exiting the investment. If such a conflict between a Fund and such affiliates arises, it is contemplated that such affiliates would not exercise their voting rights with respect to their debt securities in such portfolio company; provided, however, that if such voting rights are exercised, the respective Fund's general partner will obtain the approval of the advisory committee prior to such vote. The Adviser will notify or seek the advice or approval of a Fund's advisory committee to the extent conflicts arise between such Fund and such affiliates as required by such Fund's Governing Documents.

*Allocation of Investment Opportunities among Funds and Allocation of Coinvestment Opportunities.* The Funds are generally subject to investment allocation requirements (collectively, "Investment Allocation Requirements"), which will also apply directly or indirectly to certain Coinvestment Vehicles with investments contractually tied to the Funds. Investment Allocation Requirements are set forth in a Fund's Governing Documents or offering documents. Investment opportunities suitable for the Funds may be available for the participation of more than one Fund at any given time. Investment Allocation Requirements govern the allocation of investment opportunities exclusively among the Funds. To the extent the Investment Allocation Requirements of a Fund do not include specific allocation procedures and/or allow the Adviser discretion in making allocation decisions among the Funds, the Adviser takes into account such factors that it determines in its sole discretion to be relevant, consistent with the Adviser's private equity fund business model for the Funds. The Adviser will seek to make all allocations of investment opportunities among the Funds in a fair and equitable manner. There can be no assurance that the application of the Investment Allocation Requirements will result in a Fund participating in all investment opportunities that fall within its investment objectives.

Subject to any Investment Allocation Requirements and Side Letter considerations, in general, (i) no investor in a Fund has a right to participate in any coinvestment opportunity solely as a result of its investment in a Fund (although investors in a Coinvestment Vehicle will participate indirectly in a coinvestment opportunity that is allocated to that Coinvestment Vehicle); (ii) coinvestment opportunities have been and will be offered to some and not other investors in the

Funds (with allocations that are expected to differ from such investors' proportionate investments in a Fund), in the sole discretion of the Adviser or its related persons or other participants in the applicable transactions, such as co-sponsors; (iii) decisions regarding whether and to whom to offer coinvestment opportunities have been made and may again in the future be made in the sole discretion of the Adviser or its related persons or other participants in the applicable transactions, such as co-sponsors, and investors may be offered a smaller amount of coinvestment opportunities than originally requested; (iv) certain persons other than investors in the Funds (e.g., consultants, joint venture partners, persons associated with a portfolio company and other Third Parties) rather than one or more investors in a Fund have been and will be offered the right to coinvestment opportunities (contractually or otherwise) in the sole discretion of the Adviser or its related persons; and (v) coinvestors may purchase their interests in a portfolio company at the same time as the Funds or from the applicable Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell-down or transfer). The ability of coinvestment parties to participate in follow-on investments to coinvestment opportunities will be determined on a deal-by-deal basis. Additionally, non-binding acknowledgements of interest in coinvestment opportunities are not Investment Allocation Requirements and do not require the Adviser to notify the recipients of such acknowledgements if there is a coinvestment opportunity.

The Adviser will determine (in its sole discretion) if the amount of an investment opportunity exceeds the amount the Adviser determines would be appropriate for the Funds (after taking into account any portion of the opportunity allocated to certain participants in the applicable investment, such as consultants, financing providers and advisors to the Adviser and/or the Funds or management teams of the applicable portfolio company and Third Parties, including certain strategic investors and other investors whose allocation is determined by the Adviser to be in the best interests of the applicable Funds), and any such excess may be offered to one or more Coinvestment Vehicles or other coinvestors as set forth in the following paragraphs.

In exercising its discretion to allocate coinvestment opportunities with respect to a particular investment among the Funds, Coinvestment Vehicles and other potential coinvestors, the Adviser will consider some or all of a wide range of factors, which include, but are not limited to, one or more of the following:

- The size and financial resources of a potential coinvestment party;
- The ability of such potential coinvestment party to efficiently and expeditiously participate in such investment opportunity;
- Confidentiality concerns in connection with providing such potential coinvestment party information relating to the investment opportunity;
- The Adviser's past experiences and relationships with such potential coinvestment party;
- Whether such coinvestment opportunity is likely to subject such potential coinvestment party or the potential portfolio company to legal, regulatory, competitive, reporting, public relations, media or other concerns, as a result of the potential coinvestment party participating in the coinvestment opportunity;

- Level of demand for participation in such co-investment opportunity
- Whether the profile or characteristics of the potential coinvestment party may have an impact on the viability or terms of the proposed investment opportunity and the ability of a Fund to take advantage of such opportunity;
- The existence of any committed Coinvestment Vehicle; and
- Whether allocating investment opportunities to such potential coinvestment party will help establish, recognize, strengthen and/or cultivate relationships that may provide direct or indirect longer term benefits (including strategic, sourcing or similar benefits) to current or future investment vehicles and/or the Adviser.

As described above under “*Conflicts of Interest*,” the Adviser will from time to time establish a committed Coinvestment Vehicle to participate in coinvestment opportunities, should they arise, on a side-by-side basis with investments made by the Funds. Investors in such committed Coinvestment Vehicles include certain Fund investors, Adviser Investors and/or Third Parties. In certain cases, the Adviser will receive fees and compensation with respect to such committed Coinvestment Vehicle. The Adviser is under no obligation to establish such committed Coinvestment Vehicle and if so established, the Adviser is under no obligation to offer participation in such committed Coinvestment Vehicle to any investor. To the extent that any Coinvestment Vehicle is offered an opportunity to invest in a portfolio company alongside a Fund, the Adviser is not required to reduce a Fund’s Advisory Fee by the portion of any Portfolio Company Fees allocable to such Coinvestment Vehicle based on its proportionate interest in the portfolio company.

The Adviser’s exercise of its discretion in allocating investment opportunities with respect to a particular investment among the persons, including the Funds, Coinvestment Vehicles and other potential coinvestors, Adviser Investors and Third Parties, and in the manner discussed above, may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to other such persons. For example, the Adviser may be incentivized to offer a co-investment opportunity to certain persons over others based on its economic arrangement with such persons. While the Adviser will determine how to allocate investment opportunities using its best judgment, considering such factors as it deems relevant, but in its sole discretion, there can be no assurance that a Fund’s actual allocation of an investment opportunity, if any, or the terms on which that allocation is made will be as favorable as they would be if the conflicts of interest to which the Adviser may be subject, discussed herein, did not exist.

In the event the Adviser determines to offer an investment opportunity to coinvestors, there can be no assurance that the Adviser will be successful in offering a coinvestment opportunity to a potential coinvestor, in whole or in part, that the closing of such coinvestment will be consummated in a timely manner, that the coinvestment will take place on the terms and conditions that will be preferable for the Fund or that expenses incurred by the Fund with respect to the syndication of the coinvestment will not be substantial. Further, it is possible that a potential co-investment party may experience financial, legal or regulatory difficulties and may, from time to

time, have economic, tax, regulatory, contractual or other business interests or goals that are inconsistent with those of a Fund and as a result, may take a different view from the Adviser as to appropriate strategy for an investment or may be in a position to take a contrary action to a Fund's investment objective. Although the Adviser has in the past been successful in offering and fulfilling coinvestment opportunities on specific transactions, it is possible that if the Adviser were not successful in offering a coinvestment opportunity, the Fund may consequently hold a greater concentration and have more exposure in the related investment opportunity than was initially intended.

In addition, to the extent the Adviser has discretion over a secondary transfer of interests in a Fund pursuant to such Fund's Governing Documents, the Adviser will consider the factors it deems relevant, which may include the factors listed above, in exercising such discretion. Subject to any restrictions in the Governing Documents of the applicable Fund, the Adviser or its related persons may be asked to identify a limited number of Adviser Investors or Third Parties to potentially acquire the interest being transferred.

With respect to consummated transactions, coinvestors (including Coinvestment Vehicles) will typically bear their pro rata share of fees, costs and expenses related to the discovery, investigation, development, acquisition, ownership, maintenance, monitoring, hedging and disposition of their coinvestments. In certain circumstances, coinvestors will also be required to pay their pro rata share of fees, costs and expenses related to potential investments that are not consummated, such as break-up fees or broken deal expenses. The Adviser will endeavor to allocate such fees, costs and expenses on a fair and equitable basis; however, coinvestors may not agree to pay or otherwise may not bear such fees, costs and expenses if such coinvestors have not been identified as of the time such potential investment ceases to be pursued and/or if such coinvestors did not agree to pay such fees, costs and expenses as a condition to participating in the coinvestment opportunity. In that event, such fees, costs and expenses will be considered operating expenses of and be borne by a Fund to the extent such coinvestment opportunity substantially progressed. Notwithstanding the foregoing, the Adviser will bear the pro rata portion of such fees, costs and expenses allocated to the Adviser's coinvestment or the amount allocable to coinvestors to the extent the opportunity did not substantially progress.

There have in the past and may again in the future be occasions when, for ease of administration or if a counterparty requires, one Fund (the "Obligor") may contractually serve as obligor (e.g., in providing a guarantee) on behalf of multiple funds (the "Allocated Funds"). On such occasions, each Allocated Fund will enter into an agreement to fund or reimburse its pro rata portion of any applicable liability contractually assumed by the Obligor. In addition, the Adviser or Stockbridge has in the past and will in the future incur expenses allocable to the Funds, Stockbridge Funds and/or portfolio companies for third-party research materials later used by and for the benefit of the Funds, Stockbridge Funds and/or portfolio companies advised by the other adviser. In the event that both the Adviser and Stockbridge jointly commission such research, the Adviser and Stockbridge will allocate as equitably as possible such costs between the respective Funds, Stockbridge Funds and/or portfolio companies.

The appropriate allocation among the Funds, any Stockbridge Funds and the Adviser of expenses and fees generated in the course of evaluating potential investments that are not consummated,

such as out-of-pocket expenses associated with due diligence, attorney's fees and the fees of other professionals, will be determined by the Adviser and Stockbridge, with respect to allocations involving the Stockbridge Funds in its or their sole discretion. Certain expenses of the Funds and the Adviser incurred in connection with originating, evaluating, negotiating, structuring, conducting due diligence, acquiring, monitoring, valuing, selling or otherwise disposing of the Funds' assets may be borne by one or more portfolio companies.

In exercising its discretion to allocate investment opportunities and fees and expenses, the Adviser may be faced with a variety of potential conflicts of interest. For example, in allocating an investment opportunity among Funds with differing fee, expense and compensation structures, the Adviser has an incentive to allocate investment opportunities to the Funds from which the Adviser or its related persons may derive, directly or indirectly, a higher fee, compensation or other benefit.

In addition, Adviser Personnel invest, either indirectly or directly, in the Funds and, therefore, participate in investments made by the Funds in which they invest. Although the Adviser believes these investments serve to align the interests of the Adviser Personnel with those of the Funds, individuals' and aggregate interests will vary Fund by Fund. The existence of these varying circumstances may present potential conflicts of interest in determining how much, if any, of certain investment opportunities to offer to a Fund, including an incentive to allocate particularly attractive investment opportunities to the Fund in which such personnel hold a greater interest.

*Conflicts Related to Purchases and Sales.* Conflicts may arise when a Fund makes investments in conjunction with an investment being made or sold by other Funds or Stockbridge Funds or in a transaction in which another Fund or Stockbridge Fund has already made an investment. Investment opportunities may be appropriate for Funds and/or Stockbridge Funds at the same, different or overlapping levels of a portfolio company's capital structure. Conflicts may arise in determining the terms of investments, particularly where a Fund and a Stockbridge Fund may invest in different types of securities in a single portfolio company. Questions may arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring may raise conflicts of interest. A Fund or a Stockbridge Fund may invest in bank debt and securities of companies in which the other holds securities, including equity securities, and their interests may be in conflict, particularly in circumstances where the underlying company is facing financial distress. The involvement of a Fund and a Stockbridge Fund at both the equity and debt levels could inhibit strategic information exchanges among fellow creditors. In certain circumstances, a Fund or a Stockbridge Fund may be prohibited from exercising voting or other rights, and may be subject to claims by other creditors with respect to the subordination of their interest. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, the Funds may or may not provide such additional capital, and if provided, each Fund will supply such additional capital in such amounts, if any, as determined by the Adviser. In addition, a conflict may arise in allocating an investment opportunity if the potential investment target could be acquired by either a Fund or a portfolio company of a Fund. Investments by more than one Fund or Stockbridge Fund in a portfolio company may also raise the risk of using assets of a Fund or Stockbridge Fund to support positions taken by another Fund or Stockbridge Fund ,



or that a client may remain passive in a situation in which it is entitled to vote (or may otherwise have been able to vote absent the investment by an affiliated person). Employees and related persons of the Adviser and Stockbridge have made and are expected to make in the future capital investments in or alongside certain Funds or Stockbridge Funds and, therefore, may have additional conflicting interests in connection with these investments. There can be no assurance that the return of a Fund participating in a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

From time to time the Adviser may, in its discretion, enter into transactions with investors in one or more Funds to dispose of all or a portion of certain investments held by one or more Funds. In exercising its discretion to select the purchaser(s) of such investments, the Adviser typically considers some or all of the factors listed above under “*Allocation of Investment Opportunities among Funds and Allocation of Coinvestment Opportunities*.” The sales price for such transactions will be mutually agreed to by the Adviser and such purchaser(s); however, determinations of sales prices involve a significant degree of judgment by the Adviser. Although the Adviser is not obligated to solicit competitive bids for such sales transaction or to seek the highest available price, it will first determine that such transaction is in the best interests of the applicable Fund(s), taking into account the sales price and the other terms and conditions of the transaction. Any such transactions will comply with the Governing Documents of the applicable Fund(s).

The Funds, from time to time, co-invest with third parties through partnerships, joint ventures or other similar entities or arrangements. These investments may involve risks that would not otherwise be present in investments where a third party is not involved. Such risks include, among other things, the possibility that the third party may have differing economic or business goals than those of the Fund, or that the third party may be in a position to take actions that are inconsistent with the investment objectives of the Funds. There may also be instances where the Funds will be liable for the actions of such third party co-investors. There can be no assurance that the return of a Fund participating in a transaction with a third party would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

*Cross-Transactions.* In certain cases, the Adviser may cause a Fund to purchase investments from another Fund or Stockbridge Fund, or it may cause a Fund to sell investments to another Fund or Stockbridge Fund. Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, a Fund may not receive the best price otherwise possible, or the Adviser might have an incentive to improve the performance of one Fund by selling underperforming assets to another Fund in order, for example, to earn fees. Additionally, in connection with such transactions, the Adviser, Stockbridge and/or their professionals (i) may have significant investments, or intentions to invest, in the Fund that is selling and/or purchasing such an investment or (ii) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment). The Adviser and Stockbridge may receive management or other fees in connection with their management of the relevant Funds or Stockbridge Funds involved in such a transaction and may also be entitled to share in the investment profits of the relevant Funds or Stockbridge Funds. To address these conflicts of interest, in connection with effecting such transactions, the Adviser will follow the Investment

Allocation Requirements of the relevant Funds. To the extent such matters are not addressed in the Investment Allocation Requirements, the Adviser's CCO will be responsible for confirming that the Adviser (a) considers its respective duties to each Fund; (b) determines whether the purchase or sale and price or other terms are comparable to what could be obtained through an arm's length transaction with a third party; and (c) obtains any required approvals of the transaction's terms and conditions, including, if required by a Fund's Governing Documents or otherwise, advisory committee approval.

*Principal Transactions.* Section 206 under the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Very generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a "principal transaction"), the adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client's consent prior to the settlement of any principal transaction. In connection with the Adviser's management of the Funds, the Adviser and Stockbridge are permitted to engage in principal transactions. The Adviser has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including that disclosures required by Section 206 of the Advisers Act be made to the applicable Fund(s) regarding any proposed principal transactions and that any required prior consent to the transaction be received. In addition, the offering documents, or Governing Documents of the Funds contain additional restrictions on the ability of the Funds or the Adviser to engage in principal transactions.

*Management of the Funds.* The Adviser manages a number of Funds that typically have investment objectives similar to each other. The Adviser expects that it or its personnel will in the future establish one or more additional investment funds with investment objectives substantially similar to, or different from, those of the current Funds. Allocation of available investment opportunities between the Funds and any such investment fund could give rise to conflicts of interest. See "*Allocation of Investment Opportunities among Funds and Allocation of Coinvestment Opportunities*" above. The Adviser may give advice or take actions with respect to, the investments of one or more Fund that may not be given or taken with respect to other Funds with similar investment programs, objectives or strategies. As a result, Funds with similar strategies may not hold the same securities or achieve the same performance. In addition, a Fund may not be able to invest through the same investment vehicles, or have access to similar credit or utilize similar investment strategies as another Fund. These differences may result in variations with respect to price, leverage and associated costs of a particular investment opportunity.

In addition, it is expected that employees of the Adviser responsible for managing a particular Fund will have responsibilities with respect to other Funds managed by the Adviser (and, in the case of certain employees, with respect to Stockbridge Funds), including funds that may be raised in the future or to proprietary investments made by the Adviser and/or its principals. Conflicts of interest may arise in allocating time, services or functions of these employees.

*Access to Insider Information.* As a result of participation by representatives of Stockbridge or the Adviser on boards of certain companies, and/or as a result of confidentiality agreements or non-disclosure agreements entered into by Stockbridge or the Adviser, the Funds may acquire confidential or material, non-public information or be restricted from initiating transactions in

certain securities. The Funds will not be free to act upon any such information, which may serve to restrict a Fund in its investment activities. Due to these restrictions, the Funds may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold. Such possession of material, non-public information may create a conflict of interest involving (i) the duties and obligations of Stockbridge, the Adviser or their representatives to the companies on whose boards these representatives participate and (ii) a Fund's ability to effect purchases and sales of the securities of such companies. Inadvertent trading on material, non-public information could have material adverse effects on the Adviser's reputation, result in the imposition of regulatory or financial sanctions and, as a consequence, negatively impact the Adviser's ability to perform its investment management services on behalf of the Funds. The Adviser maintains a Code of Ethics that limits its employees' ability to engage in personal trading and allows the Adviser to monitor for such activity.

*Fee Structure.* Because the calculation of the Advisory Fee to be paid by a Fund to the Adviser is at certain times in a Fund's life based on aggregate commitments funded in respect of investments that have not been subject to a disposition or written off, this fee structure creates the potential incentive to deploy capital when the Adviser may not otherwise have deployed capital.

Additionally, as discussed above in Item 6, the general partners of the Funds are entitled to Carried Interest under the terms of the Governing Documents of such Funds. Such general partners are affiliates of the Adviser. The existence of the general partners' Carried Interest creates the potential incentive for the general partners to cause such Funds to make more speculative investments than they would otherwise make in the absence of performance-based compensation.

Pursuant to the Governing Documents, a general partner may be required to return excess amounts of Carried Interest as a "clawback". This clawback obligation may create an incentive for a general partner to defer disposition of one or more investments or delay the liquidation of a Fund if the disposition and/or liquidation would result in a realized loss to the Fund or would otherwise result in a clawback situation for a general partner.

*Fund Level Borrowing.* The Funds from time-to-time borrow funds or enter into other financing arrangements for various reasons (e.g., to fund an investment prior to receiving capital contributions from a Fund's investors). A Fund's use of borrowed funds will affect the calculation of net performance metrics (to the extent that they measure investor cash flows) and may make net IRR calculations higher than they otherwise would be without fund-level borrowing, as these calculations generally depend on the amount and timing of capital contributions. While a Fund will bear the expense of borrowed funds, such borrowings can also increase the Carried Interest received by the Fund's general partner by decreasing the amount of distributions from the Fund that are required to be made to Fund investors in satisfaction of any preferred return. The general partner therefore has a conflict of interest in deciding whether to borrow funds because the general partner may receive disproportionate benefits from such borrowings. Such borrowings also may increase the potential exposure of a Fund to a particular investment. In addition, borrowings by a Fund are secured by capital commitments made by a Fund's investors to a Fund, as well as by a Fund's assets, and the documentation relating to such borrowings typically provides that during the continuance of a default under such borrowings, the interests of the investors may be

subordinated to such fund-level borrowing. Moreover, tax-exempt investors should note that the use of leverage by a Fund may cause the realization of “unrelated business taxable income.”

*Follow-on Investments.* Follow-on investments may present conflicts of interest, including determination of the equity component and other terms of the new financing, as well as the allocation of the investment opportunities in the case of follow-on investments by one Fund in a portfolio company in which another Fund has previously invested. In addition, a Fund may participate in releveraging and recapitalization transactions involving portfolio companies in which another Fund has already invested or will invest. Conflicts of interest may arise, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms.

*Service Providers.* The Adviser and/or its affiliates may engage service providers to provide services to the Adviser, the Funds and/or the portfolio companies, including services during the due diligence and acquisition process. Such service providers are, in certain circumstances, investors in a Fund or affiliates of such investors, future funds, or coinvestors alongside a Fund, and may include, for example, deal sources, consultants, lenders, brokers, attorneys, investment or commercial bankers, outside directors and other investors who provide services (including mezzanine and/or lending arrangements). The engagement of any such service provider may be concurrent with an investor’s admission to a Fund, or during the term of such investor’s investment in the Fund. This creates a potential conflict of interest, as the Adviser may have an incentive to offer such investor coinvestment opportunities that it would not otherwise offer to such investor. In addition, the investment by such service providers in a Fund may influence the Adviser in deciding whether to select such a service provider or have other relationships with the Adviser. The Adviser may have a conflict of interest with a Fund in recommending the retention or continuation of a service provider to such Fund or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider will continue to invest in Funds or Stockbridge Funds or will provide the Adviser or Stockbridge information about markets and industries in which the Adviser or Stockbridge operates or is interested or will provide other services that are beneficial to the Adviser or Stockbridge. Additionally, employees of the Adviser, Stockbridge, their affiliates and/or their family members or relatives may have ownership, employment or other interests in such service providers. These relationships that an Adviser may have with a service provider can influence the Adviser in determining whether to select or recommend such service provider to perform services for a Fund or a portfolio company. Notwithstanding the foregoing, the Adviser will only select a service provider to the extent the Adviser determines that doing so is appropriate for a Fund given all surrounding facts and circumstances and is consistent with the Adviser’s responsibilities under applicable law, provided, however, the Adviser may not necessarily seek out the lowest-cost option when engaging such service providers as other factors or considerations may prevail over cost.

In addition, the Adviser, the Funds and the portfolio companies of the Funds may engage common service providers. In such circumstances, there may be a conflict of interest between the Adviser, on the one hand, and a Fund and its portfolio companies, on the other hand, in determining whether to engage such service providers, including the possibility that the Adviser may favor the

engagement or continued engagement of such persons if it receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by a Fund and/or its portfolio companies. The Adviser may from time to time receive a discount on services provided to it by such a common service provider even though a Fund and/or its portfolio companies may receive a lesser, or no, discount. In addition, different portfolio companies may receive different levels of discounts. Service providers may, on occasion, charge varying amounts or may have different fee arrangements for different types of services depending on, for example, the complexity of the matter, the expertise required and the time demands of the service provider. As a result, to the extent the services required by the Adviser or its affiliates differ from those required by the Funds and/or its portfolio companies, the Adviser and its affiliates may pay different rates and fees than those paid by the Funds and/or its portfolio companies. In the event of a significant dispute or divergence of interest between Funds and the Adviser, the parties may engage separate counsel in the sole discretion of the Adviser, and in litigation and other circumstances separate representation may be required.

*Conflicts Relating to the Adviser.* The Adviser may, in its discretion, contract with any related person of the Adviser (including, but not limited to, a portfolio company of a Fund or Stockbridge Fund) to perform services for the Adviser in connection with its provision of services to the Funds. When engaging a related person to provide such services, the Adviser may have an incentive to recommend the related person even if another person may be more qualified to provide the applicable services and/or can provide such services at a lesser cost.

The Adviser may, in its discretion, recommend to a Fund or to a portfolio company (in response to a solicitation for a recommendation or otherwise) that it contract for services with (i) the Adviser or a related person of the Adviser (including but not limited to a portfolio company of a Fund) or (ii) an entity with which the Adviser or Stockbridge or a member of their personnel has a relationship or from which the Adviser or Stockbridge or their personnel otherwise derives financial or other benefit. When making such a recommendation, the Adviser may, because of its financial or other business interest, have an incentive to recommend the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

The Adviser, Stockbridge and their partners, Managing Directors, officers, principals, employees and affiliates have in the past and may in the future buy securities in transactions offered to but rejected by the Funds, or buy securities in transactions that were not available at appropriate levels for a Fund investment. A conflict of interest could arise to the extent such investing Adviser Personnel benefits from the evaluation, investigation and due diligence undertaken by the Adviser on behalf of the Fund. In such circumstances, the investing Adviser Personnel will share or reimburse the relevant Fund(s) and/or the Adviser for any expenses incurred in connection with the investment opportunity in a manner the Adviser deems to be fair and equitable. In addition, officers and employees may also buy securities in other investment vehicles (including venture capital funds, hedge funds, real estate funds, private equity funds and other similar investment vehicles) which may include potential competitors of the Funds. Such transactions are subject to the policies and procedures set forth in the Adviser's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments may vary from those of the Funds. If officers, principals and employees of the Adviser have made large capital investments in or

alongside the Funds they may have conflicting interests with respect to these investments. While the significant interests of the officers and employees of the Adviser generally aligns the interest of such persons with the Funds, such persons may have differing interests from the Fund with respect to such investments (for example, with respect to the availability and timing of liquidity).

Certain expenses are paid for by a Fund and/or its portfolio companies or, if incurred by the Adviser, are reimbursed by a Fund and/or its portfolio companies. However, the Adviser may not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses since other mitigating factors may prevail over cost.

*Related Services.* As described in Item 5 above, the Adviser (and its employees) from time to time perform services for, and receive Portfolio Company Fees from, actual or prospective portfolio companies or other investment vehicles of the Funds. Such fees will be in addition to any Advisory Fees or Carried Interest paid by the Funds to the Adviser. Certain circumstances (such as the occurrence of an initial public offering) may allow for the acceleration of the payment of such Portfolio Company Fees. This creates a conflict of interest between the Adviser, on the one hand, and the Funds and their investors, on the other, because the amounts of these fees may be material, and the Funds and their investors generally do not have a direct interest in these fees (except with respect to the Advisory Fee reduction discussed below). The Adviser will in some circumstances reduce the amount of Advisory Fees paid by the applicable Fund in connection with the receipt by the Adviser of Portfolio Company Fees in connection with such Fund or its investments (subject to the exception set out under “Portfolio Advisors” below). The amount and nature of this reduction varies from Fund to Fund and is set forth in the Governing Documents of each applicable Fund. Only that portion of such Portfolio Company Fees allocable to the Fund will reduce the Advisory Fee as described above. Portfolio Company Fees are allocated pro rata among a Fund and other coinvestment parties that coinvested or proposed to coinvest with such Fund based on the capital the Fund and each such other coinvestment party has invested or proposed to invest in the portfolio company or proposed portfolio company. In some cases with respect to the implementation of the arrangements described above, there is not an independent third-party involved on behalf of the relevant portfolio company. Therefore, a conflict of interest may exist in the determination of any such fees and other related terms in the applicable agreement with the portfolio company.

Consistent with the applicable Funds’ Governing Documents, the Adviser is permitted to incur expenses, and a portfolio company will reimburse the Adviser for such expenses (including, without limitation, travel expenses, which typically include expenses for first or business class or, under limited circumstances, chartered travel, as well as lodging, meals, entertainment and other out-of-pocket costs and expenses in connection with the Adviser’s performance of services for such portfolio company, which include amounts paid to consultants, law firms, accountants or other advisors). Such reimbursements are not subject to the Advisory Fee reduction arrangements described above. This creates a conflict of interest between the Adviser, on the one hand, and the Funds and their investors, on the other, because the amounts of this compensation and these reimbursements may be material, and the Funds and their investors generally do not have a direct interest in this compensation and these reimbursements.

The Adviser determines the amount of these Portfolio Company Fees and reimbursements in its own discretion, subject to agreements with sellers, buyers and management teams, the board of directors of or lenders to portfolio companies and/or third party coinvestors in its transactions, and the amount of such fees and reimbursements may not (except in connection with the reductions described above) be disclosed to investors in the Funds.

*Portfolio Advisors.* As discussed in Item 5 above, from time to time, Portfolio Advisors are engaged to provide services to certain portfolio companies, including advisory or consulting services and serving in interim management positions or as members of the boards of directors of portfolio companies (“Portfolio Advisor Services”). Portfolio Advisors typically receive stock options or other equity and/or management, director, consulting, advisory and other similar fees and compensation from portfolio companies (including, without limitation, a retainer, fees based on an hourly/daily/weekly rate, transaction fees in connection with the investment in or sale of a portfolio company, and profits or equity interests at the portfolio company or other incentive based compensation), as well as receive expense reimbursement from Funds or portfolio companies. Such compensation or reimbursements received by an individual in his or her capacity as a Portfolio Advisor will not be considered Portfolio Company Fees and will not offset the Advisory Fee as described in “*Portfolio Company Fees*” above. In addition, a Portfolio Advisor may from time to time (i) invest directly or indirectly in one or more portfolio companies; (ii) invest in the Funds on a reduced or no fee basis; and/or (iii) participate in a portion of the Carried Interest distributions received by the Adviser.

The determination of whether a service is a Portfolio Advisor Service will be made by the relevant general partner, in its sole discretion. Fees and expenses of the Portfolio Advisor (“Portfolio Advisor Expenses”) may also be incurred in respect of portfolio companies prior to the closing of the investment. In the event one or more Portfolio Advisors (directly or indirectly) are providing services with respect to the Funds and/or portfolio companies, such Portfolio Advisor Expenses will be allocated among the Funds and/or portfolio companies as determined by the general partner or Adviser, as applicable in a fair and equitable manner. The general partner’s determination as to whether a service is a Portfolio Advisor Service, the categorization of any fees and expenses (e.g., as Portfolio Advisor Expenses) and the allocation of such fees and expenses will be binding on the Fund and its investors. Certain Portfolio Advisors may be subject to contractual obligations to exclusively provide certain services to the Funds and/or the portfolio companies. In addition, a Portfolio Advisor’s role may evolve over time, which may shift the burden of compensation for such persons from the Adviser to a Fund and/or its portfolio companies.

Although the use of Portfolio Advisors and allocation of Portfolio Advisor Expenses paid to them may subject the Adviser and its affiliates to potential conflicts of interest, the Adviser believes any such potential conflicts of interest are mitigated by the expected benefits provided by Portfolio Advisors to the portfolio companies (and, in turn, the relevant Fund(s)).

*Diverse Investor Group.* The investors in the Funds typically include U.S. taxable and tax-exempt entities, and institutions from jurisdictions outside of the United States. Such investors may have conflicting investment, tax and other interests with respect to their investments in the Funds. The conflicting interests among the investors may relate to or arise from, among other things, the nature

of the investments made by a Fund, the structuring of the acquisition of investments and the timing of the disposition of investments. As a consequence, conflicts of interest arise in connection with decisions to be made by the Adviser, including with respect to the nature or structuring of investments that are more beneficial for one investor than for another investor, especially with respect to certain investors' individual tax situations. In selecting and structuring investments appropriate for a Fund, the Adviser will consider the investment and tax objectives of such Fund and its investors as a whole, not the investment, tax or other objectives of any investor individually.

*Conflicts with Portfolio Companies.* Officers and employees of the Adviser serve as officers and directors of, or observers on boards with respect to, certain portfolio companies and, in that capacity, will be required to make decisions that consider the best interests of such portfolio companies and their respective shareholders. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of a portfolio company, actions that may be in the best interests of the portfolio company may not be in the best interests of a Fund, and vice versa. Accordingly, in these situations, there will be conflicts of interest between such individual's duties as an officer or employee of the Adviser and such individual's duties as a director or officer of such portfolio company.

Decisions made by a director may subject the Adviser, its affiliate or a Fund to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other director-related claims.

From time to time personnel of the Adviser may also be asked to serve as directors of, or observers with respect to, certain entities in which a Fund has fully exited its ownership interest. Such companies are not portfolio companies of the Fund and as a result, any compensation received by such Adviser employee is not subject to the Advisory Fee offset described above, or otherwise shared with the Funds and/or investors.

In addition, there may be conflicts between a portfolio company of a Fund and another portfolio company of such Fund, another Fund, a Stockbridge Fund or the Adviser. For example, the portfolio company of one Fund may be a competitor, customer or supplier of a portfolio company of another Fund. Portfolio companies of a Fund may do business with other portfolio companies of such Fund or a Stockbridge Fund. In providing advice to a portfolio company, the Adviser is not obligated to, and need not, take into consideration the interests of the other relevant portfolio companies or Funds. Moreover, in any such situation one or more of such portfolio companies may agree to terms less favorable than those that may be agreed with a third party engaged in the same or substantially similar activities.

A Fund's portfolio companies may be counterparties or participants in agreements, transactions or other arrangements with portfolio companies of other Funds managed by the Adviser or Stockbridge that, although the Adviser determines to be consistent with the requirements of such Funds' Governing Documents, may not have otherwise been entered into but for the affiliation with the Adviser or Stockbridge, and which may involve fees and/or servicing payments to such portfolio companies that are not subject to the Advisory Fee offset provisions described herein. For example, the Adviser from time to time causes portfolio companies to enter into agreements regarding group procurement (which may depend on the volume of services purchased under these



agreements and which may be pooled across multiple portfolio companies and discounted due to scale), benefits management, technology development, and/or insurance (which may be pooled across multiple portfolio companies and discounted to scale) and other similar operational initiatives that may result in fees, better pricing, rebates, commissions or similar payments and/or discounts being paid to the Adviser, Stockbridge, their affiliates or a portfolio company, including related to a portion of the savings achieved by the portfolio company. While the Adviser may have a conflict of interest because its economic benefit may incentivize the Adviser to maintain such arrangements, the Adviser believes that such agreements benefit the portfolio companies due to increased access to quality products and services at beneficial pricing and the Adviser's benefits from such arrangements are reduced because the Adviser only benefits on at the same rate as the portfolio companies. However, it should not be assumed that a company related to, or otherwise affiliated with the Adviser, will only take actions that are beneficial to, or not opposed to, the interests of a Fund and its portfolio companies.

Certain members of a Fund's advisory committee are, or in the future may be, officers or directors of, or otherwise affiliated with, investors in another Fund. The Adviser may from time to time utilize the services of investors and their affiliates on an arm's length basis, as it deems appropriate, as described above in "*Service Providers*".

The Adviser and Stockbridge, and their respective employees, are entitled to receive Portfolio Company Fees and other similar fees and compensation from portfolio companies for the performance of services. With the exception of fees paid to Portfolio Advisors (as discussed above), a portion of such fees, which are paid to the Adviser or such employees directly, are typically credited against the Advisory Fee payable by a Fund, and if such portion of such fees exceeds the Advisory Fee, such excess shall be credited against the Advisory Fee payable by such Fund in subsequent periods.

Additionally, the Adviser's employees and Portfolio Advisors have left, and may in the future leave, the employment or engagement of the Adviser to become an officer or employee of a portfolio company. Fees or expense reimbursement from a portfolio company with respect to such personnel who leave the employment of the Adviser to become an officer or employee of the portfolio company, will not result in any offset against the Advisory Fees payable by a Fund.

*Side Letters.* The general partner, on behalf of a Fund, is expected from time to time to enter into Side Letters with certain investors which provide such investors with additional or different rights than such investors have pursuant to the Fund's Governing Documents, information and reporting rights, excuse or exclusion rights, waiver of certain confidentiality obligations, coinvestment rights, certain rights or terms necessary in light of particular legal, regulatory or policy requirements of a particular investor, additional obligations and restrictions with respect to structuring particular investments in light of the legal and regulatory considerations applicable to the particular investor, veto rights and liquidity and transfer rights. As a result of such Side Letters, certain investors will receive additional rights that other investors will not receive. The general partner on behalf of a Fund will not be required to notify any or all of the other investors of any such Side Letters or any of the rights or terms or provisions thereof, nor will such general partner be required to offer such additional or different rights or terms to any or all of the other investors. The general partner, on behalf of a Fund, will enter into such Side Letters with any party as such

general partner may determine in its sole discretion at any time. Other investors will have no recourse against such Fund or any of its affiliates in the event that certain investors receive additional or different rights or terms as a result of such Side Letters.

*Advisory Committees.* The Adviser or general partner of a Fund, as contemplated by such Fund's Governing Documents, will seek the approval of the Fund's advisory committee with respect to valuations and may consult the Fund's advisory committee with respect to potential conflict of interest situations, and advisory committee approval will be required to resolve certain conflicts and other matters. Any such approval by the advisory committee will generally be binding upon such Fund and all investors. Although the advisory committee is intended to act as the representative of the investors, the interests of the members of the advisory committee may not be aligned with other investors. Furthermore, the members of the advisory committee cannot be expected to be experts in private equity investing, and, as a result, certain of the advisory committee's determinations may, in fact, adversely affect the performance of such Fund.

Representative of the advisory committee may have various business and other relationships with the Adviser and its partners, employees and affiliates. These relationships may influence the decisions made by such members of the advisory committee.

In addition, members of one Fund's advisory committee often serve as a member of another Fund's advisory committee. In such instances, a conflict of interest exists because the Funds on which such overlapping advisory committee members may have conflicting interests and such advisory committee members may be requested to provide their consent with respect to such conflicts of interest and will not typically recuse themselves from any such vote.

*Other Potential Conflicts.* The Governing Documents of a Fund establish complex arrangements among the Funds, the Adviser, investors, and other relevant parties. From time to time, questions may arise regarding certain parties' rights and obligations in certain situations, some of which may not have been contemplated upon the negotiation and execution of such documents. In some instances, the operative provisions of the Governing Documents, if any, may be broad, unclear, general, conflicting, ambiguous, and vague and may allow for multiple reasonable interpretations. In other instances, there may not be a directly applicable provision. While the Adviser will construe the relevant provisions in good faith and in a manner consistent with its legal obligations, the interpretations used may not be the most favorable to a Fund or its investors.

The Adviser may, in its discretion, have and cause the Funds and/or their portfolio companies to have, ongoing business dealings, arrangements or agreements with persons who are former employees or executives of the Adviser or Stockbridge. The Funds and/or their portfolio companies may bear, directly or indirectly, the costs of such dealings, arrangements or agreements. In such circumstances, there may be a conflict of interest between the Adviser or Stockbridge and the Funds (or their portfolio companies) in determining whether to engage in or to continue such dealings, arrangements or agreements, including the possibility that the Adviser may favor the

engagement or continued engagement of such persons even if a better price and/or quality of service could be obtained from another person.

The Adviser has in the past and may, from time to time in the future, cause one or more Funds to purchase, and/or bear premiums, fees, costs and expenses (including any expenses or fees of insurance brokers) for insurance to insure the applicable Funds, the applicable general partner, the Adviser and/or their respective directors, officers, employees, agents, representatives, members of the advisory committee and other indemnified parties, against liability in connection with the activities of the Funds. This may include a portion of any premiums, fees, costs and expenses for one or more “umbrella” or other insurance policies maintained by the Adviser that cover one or more Funds and/or the Adviser (including their respective directors, officers, employees, agents, representatives, members of the advisory committee and other indemnified parties). The Adviser will seek to make judgments on a fair and reasonable basis about the allocation of premiums, fees, costs and expenses for such insurance policies among one or more Funds, and/or the Adviser, and may make corrective allocations should it determine subsequently that such corrections are necessary or advisable. There can be no assurance that a different allocation would not result in a Fund bearing less (or more) premiums, fees, costs and expenses for insurance policies.

The Adviser may represent creditors or debtors prior to or in proceedings under Chapter 11 of the Bankruptcy Code. From time to time, the Adviser may serve as advisor to creditor or equity committees. This involvement, for which the Adviser may be compensated, may limit or preclude the flexibility that the Funds may otherwise have to make investments.

If a Fund purchases in the secondary market at a discount debt securities of a company in which a Fund has, for example, a substantial equity interest, (i) a court might require a Fund to disgorge profit it realizes if the opportunity to purchase such securities at a discount should have been made available to the issuer of such securities or (ii) a Fund might be prevented from enforcing such securities at their full face value if the issuer of such securities becomes bankrupt. The effect of these transactions will vary from jurisdiction to jurisdiction.

In addition, the Governing Documents of certain Funds permit the Adviser to restrict the information provided to certain limited partners or investors in such Funds in certain circumstances. For instance, information may be restricted in the case of limited partners that are subject to Freedom of Information Act or similar requirements. The Adviser may elect to restrict access to certain information with respect to such limited partners for reasons relating to the Adviser’s public reputation or overall business strategy, despite the potential benefits to such limited partners of receiving such information.

Certain employees of the Adviser provide research, trust, administrative, reporting and similar services to the current and retired Managing Directors of the Adviser and certain of their family members and estate planning vehicles, in each case with respect to personal investment activities. Such services could potentially present a conflict of interest between the Adviser and a Fund. However, the Adviser believes any potential conflicts of interest are substantially mitigated because (i) the investments are not investments that would be suitable for a Fund, (ii) the investments are reportable by the current and retired Managing Directors and subject to preclearance pursuant to the Adviser’s Code of Ethics, (iii) such employees are not involved in the

provision of investment advice to a Fund and (iv) such employees generally do not exercise investment discretion with respect to such personal investment activities.

Please see the discussion above under the sub-heading “*Resolution of Conflicts*” for a description of the means by which the Adviser and its related persons may seek to alleviate conflicts of interest among the Funds or other persons.

### **Item 12. Brokerage Practices**

The Funds invest primarily in private equity investments; however, the Funds are currently invested in publicly traded securities, and the Adviser anticipates that investments in publicly traded securities will occur from time to time in the future (e.g., money market instruments pending investment in a portfolio company, securities held as a result of initial public offerings of portfolio companies, going-private transactions, significant holdings in public companies where a Fund may obtain or seek to obtain significant influence, etc.). To meet its fiduciary duties to the Funds, the Adviser has adopted written policies to address issues that might arise with respect to purchasing, holding and selling publicly traded securities.

#### **Selection of Broker-Dealers**

For each of the Funds, the Adviser has sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker or dealer, if any, to be used to effect transactions. In placing each transaction for a Fund involving a broker-dealer, the Adviser will seek “best execution” of the transaction except to the extent it may be permitted to pay higher brokerage commissions in exchange for brokerage and research services (as discussed below). “Best execution” means obtaining for a Fund account the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances of the transaction and the reputability and reliability of the executing broker or dealer.

In determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, the Adviser’s Best Execution Committee takes into account all factors that it deems relevant to the broker’s or dealer’s execution capability, including, by way of illustration, price, the size of the transaction, the nature of the market for the security, the amount of the commission, the timing of the transaction taking into account market prices and trends, the reputation, experience and financial stability of the broker or dealer, and the quality of service rendered by the broker or dealer in other transactions. In addition, the Adviser may consider the use of Electronic Communications Networks (“ECNs”) when placing trades on behalf of the Funds. When purchasing or selling over-the-counter securities with market makers, the Adviser generally seeks to select market makers it believes to be actively and effectively trading the security being purchased or sold.

In order to monitor best execution, the Adviser’s Best Execution Committee, in consultation with the Adviser’s Compliance Committee and Stockbridge’s Best Execution Committee, periodically monitors broker-dealers to assess the quality of execution of brokerage transactions effected on behalf of the Adviser and each Fund.

To the extent consistent with achieving best execution, the Adviser may also consider the quality of other business a particular broker or dealer may have done with the Adviser, such as identifying investment opportunities, performing investment banking services and providing services to the Adviser's principals. The Adviser may "pay up" (e.g., pay a higher commission to execute a trade than the lowest available negotiated commission) using a portion of a broker-dealer's brokerage commission (i.e., soft dollars) for brokerage and research services in accordance with Section 28(e) of the Securities Exchange Act of 1934, as amended.

A broker-dealer providing such brokerage and research services may receive a commission that is in excess of the amount of commission another broker-dealer would have received for effecting that transaction provided the Adviser determines in good faith that such commission was reasonable in relation to the value of the research and brokerage services provided by the broker-dealer. Any such research service may be broadly useful and of value to the Adviser in rendering investment advice to all or a significant portion of the Funds, or may be relevant and useful for the management of one or only a few Funds' accounts, regardless of whether such account or accounts paid commissions to the broker-dealer through which the research service was provided. The Adviser will only make securities transactions that it in good faith believes are in the best interests of the Fund. A conflict of interest may exist when a broker-dealer provides such research services, however, as the Adviser will have an incentive to favor such broker-dealer over others that may charge lower commissions.

### **Aggregation of Orders**

The Adviser or Stockbridge may aggregate (or bunch) the orders of more than one Fund (and Stockbridge Fund) for the purchase or sale of the same publicly traded security, and shared personnel of the Adviser and Stockbridge from time to time execute trades on behalf of the Funds, whether or not the Stockbridge Funds are participating in the trade. The Adviser often employs this practice because larger transactions may enable them to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. The Adviser may combine orders on behalf of Funds with orders for other Funds (and Stockbridge Funds) for which it or Stockbridge has trading authority, or in which it or Stockbridge has an economic interest. In such cases, the Adviser may aggregate trade orders for publicly traded securities so that each participating Fund (and Stockbridge Fund) will receive the average price for each execution of a transaction. There may, however, be instances in which trade aggregation could result in a less favorable transaction than a particular Fund would have obtained by trading separately. Similarly, when orders are not bunched, there may be circumstances when purchases or sales of portfolio securities for one or more Funds will have an adverse effect on other Funds.

If an order for more than one Fund for a publicly traded security cannot be fully executed, allocation shall be made based upon the Adviser's procedures for allocation of investment opportunities, as described in Item 11 above.

## **Item 13. Review of Accounts**

### **Oversight and Monitoring**

The investment portfolios of the Funds are generally private, illiquid and long-term in nature, and accordingly, the Adviser's review of them is not directed toward a short-term decision to dispose of securities. However, the Adviser closely monitors the portfolio companies of the Funds and generally maintains an ongoing oversight position in such portfolio companies.

The Adviser's involvement typically includes regular communication with management (e.g., weekly "flash" reports, monthly reviews, quarterly board meetings and annual budgeting sessions), participation in strategic planning sessions and industry trade shows, and frequent, informal conversations and meetings. In addition, the Adviser has created a team of individuals to provide regular oversight over and involvement in portfolio company development.

The Adviser undertakes an annual planning process during which it evaluates the Funds' investment strategies and the financial and human resources needed to execute those strategies. The process includes planning sessions of the Adviser's Managing Directors at which key topics for the coming year are discussed. The full investment staff then meets to review the macroeconomic environment, assess the Adviser's performance against its annual objectives and discuss new objectives for the coming year. Shortly thereafter, the Adviser's Managing Directors finalize priorities and targets for the coming year and consider longer term trends affecting the Adviser's business.

### **Reporting**

Within 60-90 days following the consummation of each Fund investment in a portfolio company, the Adviser prepares and delivers to each investor in such Fund a description of such investment and the portfolio company in which it was made. Within 45 days after the end of each calendar quarter (other than a fiscal year-end), the Adviser typically prepares and delivers to each applicable Fund investor quarterly financial statements, including fair value of the Fund's investments. After the end of each fiscal year, the Adviser causes an audit of the financial statements of each Fund to be made by an independent public accountant of nationally recognized status. A copy of such audit is delivered to each such investor, generally within 90 days (but in no event later than 120 days) after the end of each of such Fund's fiscal year and includes a report on the Fund's activities during the year prepared by the relevant Fund's general partner, the Fund's general partner's good faith estimate of the fair value of the Fund's investments as of the end of such year and a statement showing the balances in each investor's capital account as of the end of such year. The Adviser may from time to time, in its sole discretion, provide additional information relating to such Fund to one or more investors in such Fund as it deems appropriate.

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

For details regarding economic benefits provided to the Adviser by non-clients, including a description of related material conflicts of interest and how they are addressed, please see Item 11 above. In addition, the Adviser, Stockbridge and their employees and related persons, in certain

instances, receive discounts on products and services provided by portfolio companies (including former portfolio companies) of Funds and/or the customers or suppliers of such portfolio companies.

### **Item 15. Custody**

Item 15 is not applicable to the Adviser.

### **Item 16. Investment Discretion**

The Adviser provides investment advice directly to each Fund pursuant to written Advisory Agreements with such Fund (subject to the discretion and control of the general partner of each Fund, if applicable) and not individually to the investors in the Funds. Services are provided to the Funds in accordance with the Governing Documents of the applicable Fund. Investment restrictions for the Funds, if any, are generally established in the Governing Documents of the applicable Fund.

### **Item 17. Voting Client Securities**

The Adviser has established written policies and procedures setting forth the principles and procedures by which the Adviser votes or gives consent with respect to securities owned by the Funds (“Votes”). The guiding principle by which the Adviser votes all Votes is to vote in the best interests of each Fund by maximizing the economic value of the relevant Fund’s holdings, taking into account the relevant Fund’s investment horizon, the contractual obligations under the relevant Advisory Agreements or comparable documents, and all other relevant facts and circumstances at the time of the Vote. The Adviser does not permit Voting decisions to be influenced in any manner that is contrary to, or dilutive of, this guiding principle.

It is the Adviser’s general policy to vote or give consent on all matters presented to security holders in any Vote. However, the Adviser reserves the right to abstain on any particular Vote or otherwise withhold its vote or consent on any matter if, in the judgment of the Adviser’s CCO, General Counsel or the relevant Adviser investment professional, the costs associated with voting such Vote outweigh the benefits to the relevant Funds or if the circumstances make such an abstention or withholding otherwise advisable and in the best interests of the relevant Funds.

Funds generally cannot direct the Adviser’s Vote.

All voting decisions initially are referred to the Adviser’s CCO or appropriate investment professional for a voting decision. In most cases, the CCO or investment professional covering the particular investment will make the decision as to the appropriate vote for any particular Vote. In making such decision, he or she may rely on any of the information and/or research available to him or her. If the investment professional is making the voting decision, the investment professional will inform the CCO of any such voting decision, and if the CCO does not object to such decision as a result of his or her conflict of interest review, the Vote will be voted in such manner. If at any time any investment professional becomes aware of any potential or actual conflict of interest or perceived conflict of interest regarding any particular Vote, he or she is

required to contact the Adviser's CCO or General Counsel. If any investment professional is pressured or lobbied either from within or outside the Adviser with respect to any particular voting decision, he or she is required to contact the Adviser's General Counsel. If the investment professional and the CCO are unable to arrive at an agreement as to how to vote, then the CCO may consult as to the appropriate Vote with the Adviser's Compliance Committee, which will then review the issues and arrive at a decision based on the overriding principle of seeking the maximization of the economic value of the relevant Funds' holdings.

The Adviser's CCO has the responsibility to monitor Votes for any conflicts of interest, regardless of whether they are actual or perceived. All voting decisions will require a mandatory conflicts of interest review by the Adviser's CCO and/or General Counsel in accordance with the Adviser's Voting Policies and Procedures, which will include consideration of whether the Adviser or any investment professional or other person recommending how to vote and/or Stockbridge or the Stockbridge Funds have an interest in how the Vote is voted that may present a conflict of interest. In addition, all Adviser investment professionals are expected to perform their tasks relating to the voting of Votes in accordance with the principles set forth above, according the first priority to the best interest of the relevant Funds. The Adviser's CCO and/or General Counsel will use his, her or their best judgment to address any such conflict of interest and ensure that it is resolved in accordance with his, her or their independent assessment of the best interests of the Funds and in accordance with the Funds' and the Adviser's contractual obligations.

Where the Adviser's General Counsel or Compliance Committee deems appropriate in his, her or its sole discretion, unaffiliated third parties may be used to help resolve conflicts. In this regard, the Adviser's General Counsel or Compliance Committee have the power to retain independent fiduciaries, consultants or professionals to assist with voting decisions and/or to delegate voting or consent powers to such fiduciaries, consultants or professionals.

Copies of relevant proxy logs, identifying how proxies were voted in connection with a Fund and copies of proxy voting policies are available to any client upon written request to: [Compliance@berkshirepartners.com](mailto:Compliance@berkshirepartners.com).

### **Item 18. Financial Information**

There is no financial condition that is reasonably likely to impair the Adviser's ability to meet contractual commitments to clients. Further, the Adviser has not been the subject of a bankruptcy petition at any time during the past ten years.

### **Item 19. Requirements for State-Registered Advisers**

Item 19 is not applicable to the Adviser.