

Item 1. Cover Page

**PART 2A OF FORM ADV
FIRM BROCHURE**

PCP MANAGERS, L.P.

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This brochure provides information about the qualifications and business practices of PCP Managers, L.P. and PCP Managers II, L.P. (together, “Parthenon” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at 415-913-3900. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Parthenon is registered as an investment adviser with the SEC. This registration does not imply a certain level of skill or training.

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

Item 2. Material Changes.

The date of the Firm's last filed amendment to our brochure was March 2020. A summary of material changes made to this brochure since the date of our last amendment is set forth below:

Item 4. Advisory Business – This item has been changed to reflect the Firm's updated assets under management.

Item 5. Fees and Compensation – This item has been updated to include additional discussions of certain fees payable by portfolio companies and certain expenses that are borne by funds advised by the Firm.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss—This item has been updated to include a discussion of additional risk factors relevant to the Firm's investment strategy.

Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading – This item has been updated to include revisions and additional discussions of potential conflicts of interest relevant to the Firm's business activities.

In addition, the Firm routinely makes updates throughout the brochure to improve and clarify the description of its business practices, compliance policies and procedures, as well as to respond to evolving industry best practices.

Investors are encouraged to review this brochure in its entirety. The information set forth in this brochure is qualified in its entirety by the offering and governing documents of the applicable Fund. In the event of a conflict between the information set forth herein and the applicable offering and governing documents, the information set forth in the applicable offering and governing documents shall control.

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Item 4. Advisory Business

General Information

This brochure is prepared in accordance with the requirements of Rule 203-1 under the Investment Advisers Act of 1940 (“**Advisers Act**”) and Form ADV. The information herein responds to specific information required by the rule, and Form ADV, and does not contain all of the terms of an investment in any of the Funds (as defined below). Investors should refer to the information in the Organizational Documents (as defined below) for additional information on an investment in any of the Funds.

Our Firm

For purposes of this brochure, “**Parthenon**” or the “**Firm**” means PCP Managers, L.P., a Delaware limited partnership, and PCP Managers II, L.P., a Delaware limited partnership, together (where the context permits) with our affiliated general partners of the Funds (as defined below) and other affiliates that provide investment advisory services to the Funds. Parthenon is the successor to Parthenon Capital, Inc., an investment firm founded in 1998 in Boston. The principal owners of Parthenon are David J. Ament and Brian P. Golson (the “**Managing Partners**”). The Firm is led by the Managing Partners.

Parthenon makes private equity investments in middle market growth companies for acquisitions, internal growth strategies and shareholder liquidity. The Firm seeks investments primarily through equity recapitalizations that are executed in close partnership with strong, well-aligned management teams, and targets control positions. The Firm conducts its investment advisory services through PCP Managers, L.P. and PCP Managers II, L.P. and their respective officers and employees.

Parthenon also provides non-discretionary investment sourcing services to institutional clients through separate accounts (“**SMA**s”) and may in the future provide discretionary advisory services to SMA's. As of the date of this brochure, Parthenon provides non-discretionary sourcing services to one SMA that seeks investments structured primarily as originations, participations or assignments of secured and unsecured loans and equity co-investment opportunities in middle market growth companies (collectively, “**Loan Transactions**”).

The Firm focuses on the industry sectors of: financial services; healthcare services; and business and technology services.

Nature of Our Clients

Parthenon provides discretionary investment management services through affiliated general partners of private investment funds (“**Funds**”). The Funds are typically U.S. limited partnerships and other investment vehicles that are not registered or required to be registered under the U.S. Investment Company Act of 1940 (“**Investment Company Act**”) and the securities of which are not registered or required to be registered under the U.S. Securities Act of 1933 (“**Securities Act**”), and are privately placed to qualified investors in the United States and

elsewhere. Persons and entities that invest in the Funds are referred to in this brochure as “**investors**” or “**limited partners**.” Parthenon provides investment advice and other services directly to the Funds and not individually to the investors in such Funds.

Parthenon also provides non-discretionary investment sourcing services to institutional clients.

Parthenon does not currently participate as manager in any wrap fee programs.

Types of Advisory Services Offered

Discretionary investment management services are provided to the Funds in accordance with the terms of private placement memoranda and relevant offering materials and organizational documents, including limited partnership agreements, advisory agreements and/or side letter agreements negotiated with investors in the applicable Fund (such documents collectively, a Fund’s “**Organizational Documents**”). The terms upon which Parthenon or its affiliates serve as investment manager of a Fund are established at the time each Fund is established and are generally set out in the Organizational Documents. These terms may vary among each Fund and potentially restrict investments in accordance with certain diversification provisions.

Parthenon also provides non-discretionary investment sourcing services to institutional clients and may offer similar services to SMAs on a discretionary basis in the future. The terms on which investment sourcing services are provided to a SMA are determined with the underlying client at the time a SMA is established and are generally set out in the advisory agreement with the underlying client (“**SMA Agreement**”). SMAs overseen by Parthenon may have investment strategies or investment objectives similar to or different from the investment strategies and objectives of one or more Funds. For example, Parthenon currently provides non-discretionary investment sourcing services with respect to a SMA that invests primarily in Loan Transactions with the portfolio companies of the Funds. The investment strategy, investment objectives and general terms of a SMA arrangement may vary from other SMA arrangements or the terms of any Funds, including, for example, some arrangements are non-discretionary or otherwise restrict investments in accordance with the terms of the SMA Agreement.

Assets Under Management

As of December 31, 2019, Parthenon managed \$5,405,512,542 of client assets on a discretionary basis. This includes the committed capital that may be called by the Funds from its limited partners.

Item 5. Fees and Compensation

General

Parthenon, including the general partners of the Funds, generally receives from each such Fund a Management Fee and Carried Interest (each as defined below) in connection with the investment management and other services the Firm provides to the Funds. A Fund, and/or its portfolio companies may also make other payments to Parthenon or its affiliates for services provided to the portfolio companies which, in certain circumstances, may reduce the Management Fees payable to Parthenon. Additionally, consistent with the Organizational Documents of a Fund, the

Fund (or its portfolio companies) typically bears certain out-of-pocket expenses incurred by Parthenon in connection with the services provided to such Fund and/or the portfolio companies. Management Fees, Carried Interest and/or any other compensation payable to Parthenon or its affiliates by a Fund and its investors are generally negotiated with the applicable Fund (or its underlying investors) and will depend upon, among other things, the level of capital committed to the relevant Fund.

Management Fees

As compensation for investment supervisory services rendered to the Funds, Parthenon receives from each such Fund a management fee (each, a “**Management Fee**”), the specific terms of which are specified in the Organizational Documents of the applicable Fund. Management Fees with respect to Funds focused primarily on private equity investments generally are calculated based upon a specified percentage of aggregate commitments during the commitment period of the relevant Fund or the date on which a successor equity fund commences operations and is paying managements fees, whichever is earlier, and, following the commitment period, based upon certain methods as specified in the limited partnership agreement of the respective Fund. These Management Fees are paid semi-annually, in advance, in accordance with provisions of the respective Organizational Documents, subject to certain reductions as described in “**Other Fees**” below.

The Firm does not deduct fees directly from investors’ capital accounts. The general partner of each Fund generally makes capital calls on investors in the Fund that are payable in installments for the amount of the Management Fees and pays the amount received to an affiliate of the Firm. In order to facilitate prompt payment of installments of capital commitments, investors who are not institutional investors may be required in the sole discretion of the general partner of the respective Fund to keep sufficient liquid assets on hand to cover capital calls at a financial institution designated by the general partner.

Where Management Fees are paid in advance with respect to a Fund, the terms of such Funds typically do not contemplate repayment of fees to the extent that Firm’s management services terminate prior to the end of the relevant payment period.

Management Fees payable to Parthenon by certain of the Funds may be reduced by certain other compensation received by Parthenon or its affiliates or employees that relate to the relevant Fund and its activities or by certain organizational, offering and other expenses reimbursed by the Fund. See “**Other Fees**” below for a further description.

The precise amount of, and the manner and calculation of, the Management Fees for each Fund are established by Parthenon, as modified by negotiations with investors in the applicable Fund, and are set forth in such Fund’s Organizational Documents received by each investor prior to investing in such Fund. The Management Fees and other fees and distributions described above are generally subject to waiver or reduction by Parthenon in its sole discretion, both voluntarily and on a negotiated basis with selected investors via side letters and other arrangements, which may not be disclosed to other investors in the same Fund. The fee structures described above may be modified from time to time. Fees may differ from one Fund to another, as well as among investors in the same Fund.

Certain investors in the Funds that are current or former employees, business associates and other affiliates of Parthenon or its personnel (“**Parthenon Investors**”) will not typically pay Management Fees in connection with their investment in a Fund. Notwithstanding that Parthenon Investors will generally not pay Management Fees, Parthenon Investors will pay for their pro rata share of certain Fund expenses or the pro rata portion of such Parthenon Investors’ expenses will be allocated to Parthenon or the general partner of the applicable Fund.

The Management Fees paid by a Fund will generally be reduced by a percentage of: (1) the amount of fees paid by such Fund to persons acting as a placement agent in connection with the offer and sale of interests in such Fund to certain potential investors, (2) the amount paid by such Fund to reimburse Parthenon for the fees incurred by Parthenon in connection with the organization of such Fund that exceed a limit specified in such Fund’s Organizational Documents and/or (3) certain Other Fees (as discussed below) received by Parthenon or its affiliates from the portfolio companies in which the applicable Fund holds (or will hold) an interest. The amount and manner of such reduction, if any, is set forth in the Organizational Documents of the applicable Fund. As some Funds do not pay Management Fees, any such reduction will not benefit such Funds.

Parthenon may agree with investors of a Fund to waive a portion of Management Fees in satisfaction of capital contribution obligations of Parthenon or certain of its employees to the Fund (“**Deemed Contributions**”). In these circumstances, investors in the Fund are required to make additional capital contributions to fund such Deemed Contributions. Waived amounts are applied to determine the Management Fee due by the Fund before the application of any other reductions. However, the amount called to fund Deemed Contributions are not otherwise subject to the reductions described above. The Firm also receives access fees (“**Access Fees**”) and closing fees (“**Closing Fees**”) from SMAs, the specific terms of which are specified in the applicable SMA Agreement negotiated with the underlying client. Access Fees with respect to SMAs focused on Loan Transactions are calculated based upon a specified percentage of the aggregate amount of the SMA’s daily outstanding balances of invested capital for certain specified Loan Transactions sourced by the Firm. Access Fees are paid quarterly, in arrears, in accordance with the provisions of the respective SMA Agreement. Closing Fees with respect to SMAs focused on Loan Transactions are calculated based upon a specified percentage of all deal fees paid or otherwise earned by the underlying client from its participation in a Loan Transaction. Closing Fees are due promptly after the underlying client’s receipt of its fees from the Loan Transaction. The Firm does not deduct any fees from an underlying client account. Access Fees and Closing Fees are billed to the SMA’s underlying client and are due promptly upon receipt. Access Fees and Closing Fees payable by the SMA’s underlying client are not reduced by any compensation received by Parthenon or its affiliates or employees, including any fees earned from any Fund’s portfolio companies.

Performance-Based Fees

With respect to certain Funds a portion of the net profits realized by each such Fund from the disposition of investments is allocated to its general partner as “carried interest” (“**Carried Interest**”). Carried Interest may be subject to hurdles and/or claw-backs.

Management Fees, Carried Interest, and/or other compensation payable to the Firm (including the applicable general partner) by the Funds are established at the time of the establishment of such Fund. The details of such compensation and expenses and the method of calculation are set forth in the Organizational Documents of the relevant Fund. Please see Item 6 below for additional information regarding Carried Interest that Funds may pay.

Other Fees

Fees Payable by the Portfolio Companies

Parthenon and its affiliates may perform transaction-related, financial advisory, consulting, monitoring, management and other services for, and receive fees, options or other equity incentive compensation 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 (“**Portfolio Operations Fees**”). Parthenon’s services in connection with these transactions may include but are not limited to: support of portfolio company management personnel, board and committee participation, advice with respect to development and implementation of strategies for the operating, marketing and financial performance of a portfolio company and its affiliates, evaluation of acquisition opportunities, if any, evaluation of corporate initiatives, assistance in obtaining financing and operations under any financing agreements, due diligence reviews, executive search/compensation services, merger integration and planning, and exit planning. Any such services provided to portfolio companies from time to time are referred to as “**Portfolio Operations Services**”.

Parthenon and its affiliates also receive “**Monitoring Fees**” pursuant to management services agreements with portfolio companies of the Funds governing the provision of Portfolio Operations Services and other similar ongoing services provided by Parthenon to such portfolio companies. The terms of such agreements include (among other things) annual automatic renewals and the payment of Monitoring Fees, which may be fixed fees or calculated as a percentage of invested capital, the equity value of a Fund’s investment in the portfolio company, aggregate gross value of a particular transaction, 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 accelerated Monitoring Fee may be calculated as the present value of hypothetical future payments, which may be based on an assumed growth in performance, based on an assumed growth in earnings, revenue or similar metric, and may be calculated using a discount rate as low as the risk-free rate, as determined by Parthenon. Since the management services agreements may have prolonged terms (often exceeding ten years and/or subject to automatic extensions and renewal), the financial effect of such acceleration can be substantial, particularly in the event circumstances occur early in the life of a Fund’s investment in such portfolio company.

Parthenon and its affiliates and employees may receive fees (which may be in the form of profits interests, options or other equity incentive compensation) in connection with serving on the board of directors of a portfolio company (“**Director Fees**”).

In addition, Parthenon and its affiliates may receive termination fees in connection with an unconsummated transaction (“**Break-Up Fees**” and, together with Portfolio Operations Fees, Monitoring Fees and Director Fees, the “**Other Fees**”). The amount and timing of Break-Up Fees received by Parthenon are generally specified in the agreement or other documentation governing the transaction.

A portion of Other Fees attributable to a Fund’s investment in a portfolio company are offset against the Management Fees the Fund pays to the Firm only to the extent provided in the applicable Fund’s Organizational Documents. Funds that do not pay Management Fees, co-investors and separate accounts generally are not entitled to receive a similar benefit. Other Fees attributable to more than one such fee-paying Funds’ investments in a portfolio company will be allocated in the manner that Parthenon determines is appropriate under the particular circumstances. For example, Other Fees earned in connection with an initial investment are allocated among participating fee-paying Funds based on the Funds’ respective invested capital in such investment, whereas Other Fees earned in connection with a recapitalization transaction may be allocated among participating fee-paying Funds based on the equity value of the Funds’ interest in the recapitalized company.

Generally, under the terms of the applicable Organizational Documents pertaining to a Fund, for purposes of calculating any Management Fee offset applicable to such Fund, Other Fees are net of out-of-pocket costs and expenses incurred by Parthenon (including Operations Expenses as described below) on behalf of such Fund in connection with consummated or unconsummated transactions or in connection with generating any such fees from the portfolio companies in which such Fund holds (or will hold) an interest. Other Fees are often substantial and may be paid in cash, in securities of the portfolio companies or investment vehicles (or rights thereto) or otherwise. Although Other Fees are in addition to the Management Fees, Parthenon will in some circumstances reduce the amount of Management Fees paid by the applicable Fund in connection with Parthenon’s receipt of such Other Fees in accordance with the Advisory Agreement and/or Organizational Documents of the applicable Fund. As some Funds do not pay Management Fees, any such reduction will not benefit such Funds. The portion of Other Fees paid to the Firm that are attributable to a particular Fund’s investment activities are not for the benefit of any other Fund or any SMA and will not offset the Management Fee owed by another Fund or offset any Access Fees or Closing Fees owed to the Firm with respect to any SMA. For the avoidance of any doubt, any Break-Up Fees or similar termination fees received by or for the benefit of a portfolio company will not offset the Management Fee owed by a Fund or offset any Access Fees or Closing Fees owed to the Firm with respect to any SMA.

Due to the amount of waived or reduced Management Fees and the timing of receipt of Other Fees relative to the payment date for Management Fees, investors may not receive the full benefit of these reductions or offsets. If Other Fees are received after the applicable Fund ceases to pay Management Fees, Parthenon will retain such Other Fees.

The payment of Other Fees by portfolio companies will, in some, but not all, circumstances create a conflict of interest between Parthenon and its affiliates and the Funds and their investors because the amounts of these Other Fees and reimbursements (see “*Expense Reimbursement*” below) are substantial and the Funds and their investors generally do not have a direct interest in these fees and reimbursements. Subject to the terms of the applicable Organizational

Documents, the amount of such fees and reimbursements are not (except in connection with the reductions described above) disclosed to investors in the Funds. Parthenon believes the risks of such conflicts are mitigated because Parthenon generally negotiates the amount of these fees for the services provided and reimbursements (if any) with sellers, buyers, and management teams, the board of directors of or lenders to portfolio companies, and/or third-party co-investors in its transactions.

From time to time, Parthenon agrees to pay a portion of an Other Fee received from an actual or prospective portfolio company to a third party ("**Third Party Fee**"), such as a consultant, advisor, finder, broker, investment bank, lender and/or co-investor. In such event, the Third Party Fee is not a fee that Parthenon is entitled to retain and therefore, Parthenon is not required under the terms of the applicable Organizational Documents to share such Third Party Fee with the Funds.

Payment Made to Third Parties

Parthenon and its affiliates also engage and retain advisors, consultants, and other similar professionals who are not employees of Parthenon and who may, from time to time, receive payments from, or allocations with respect to, portfolio companies and/or other entities. In such circumstances, the amount of such fees or other compensation charged by such persons or charged by Parthenon on behalf of such persons will not be subject to the sharing arrangements described above and will not benefit a Fund or its investors. For a discussion of material conflicts of interest created by the engagement of such persons, please see "*Providers of Operations Support*" in Item II below.

Expense Reimbursement

A portfolio company may reimburse Parthenon for expenses incurred by Parthenon in connection with its performance of services for such portfolio company, including without limitation travel expenses, which may include expenses for "black car" or premium on-demand-driver services and expenses pertaining to private and chartered aircraft, first class, business class or other travel airfare and any related upgrades, lodging and meals and entertainment expenses, other social and entertainment events with management, customers, clients, suppliers, vendors, brokers, bankers and service providers, expenses related to training programs or similar events for portfolio company personnel, expenses relating to personnel searches and recruitment efforts (such as background searches, relocation expenses and other perks used in connection with recruitment efforts), deal specific research and due diligence expenses, indemnification expenses, legal expenses and similar out-of-pocket expenses. Such reimbursed expenses are generally not included in the definition of "Other Fees" under the terms of the applicable Organizational Documents, and such reimbursements are not subject to the sharing arrangements described above. Investors in the Funds will indirectly bear these expenses as a result of their indirect investments in the portfolio companies. For a discussion of material conflicts of interest created by the receipt of such fees and reimbursements, please see Item 11 below.

Occasionally, officers or employees of Parthenon may utilize temporary office space, personnel and incidental administrative resources of a current or former portfolio company for activities that may be unrelated to the portfolio company's day-to-day business, without reimbursement

and without offsetting Portfolio Company Fees owed by the portfolio company. Typically, these resources are used on a limited or temporary basis and do not result in meaningful expense for the portfolio company.

Expenses

Parthenon Expenses

Parthenon generally pays for certain expenses and costs associated with the performance of its services on account of rent, utilities, insurance (other than with respect to insurance for persons entitled to indemnification from the Funds), office supplies, office equipment, non-transaction related travel and compensation and employee benefits of its officers, directors and employees (other than Carried Interest described in Item 6 below) and other normal operating expenses relating to the services provided by the Firm.

Fund Expenses

Each Fund will bear all other fees and expenses relating to it to the extent not borne by its portfolio companies, which generally include, without limitation (but subject to any restrictions in the applicable Organizational Document) fees and expenses in connection with:

- the organization of the Fund (and any SPVs (as defined below) and alternative investment vehicles to the extent not borne by the investors of such vehicle) and a proportionate share of similar expenses related to any parallel investments vehicles or investment vehicles that invest in the Fund (“**Feeder Funds**”), and their respective general partners; the offering of interests in the Fund, including legal and accounting fees, printing, travel and marketing expenses; the preparation of the Fund’s Organizational Documents and offering materials;
- Management Fees and other fees relating to the administration of the Fund’s books and records, including the fees and expenses of third-party administrators;
- the sourcing, identifying, evaluating, structuring, negotiating, acquiring, holding, monitoring and disposing of, portfolio investments, whether or not consummated and to the extent not reimbursed by portfolio companies, including preparation of purchase agreements, loan agreements, management services agreements between Parthenon and portfolio companies, and other documents and instruments related to the Funds’ portfolio companies;
- termination fees, reverse termination fees and dead deal costs associated with investments that are not consummated;
- all legal, accounting, consulting (including, but not limited to, consulting fees incurred by the applicable Fund for the benefit of its portfolio company), third-party valuations, investment banking, third-party administration fees, reporting, due diligence costs and fees of professional services and specialists, research (including licenses and subscriptions to support portfolio risk analysis, quantitative analytics, news, quotation, statistics and pricing services), software, and databases and other technical services used in due diligence and the investment management process;

- all entity-level taxes, audit costs and expenses, penalties and similar fees, including fees and expenses of a Fund’s “partnership representative” or “designated individual” for US. Federal tax purposes;

- all custody, transfer, registration and similar services;

- subject and industry-matter experts;

- brokerage and finder’s services and their related fees, commissions and discounts incurred in connection with the purchase or sale of securities, the retention of escrow agents or other third-party agents responsible for holding all or any portion of any sale proceeds (including securities) in connection with the disposition of any investment;

- fees for escrow agent or other third-party agent services in connection with the disposition of any investment;

- the Fund’s reporting obligations, such as periodic financial statements (and the audit or other examination thereof, if any), preparation of tax returns, Schedule K-1s, and other reports and information requested from time to time by any investor or pursuant to any side letter agreement with certain of the Fund’s investors;

- expenses associated with a Fund’s compliance with applicable laws and regulations, such as regulatory filings, licenses and permits in connection with acquisitions and dispositions and other periodic regulatory filings, licenses and permits;

- expenses associated with the third-party examination, audit or similar review or investigation of a Fund or Parthenon attributable to the operations of such Fund, or if the general partner of a Fund has agreed to undergo such examinations upon the request of one or more investors in a Fund or in response to an inquiry by a Fund’s advisory board;

- the performance of the duties of the tax matters partner or partnership representative of the Fund;

- all premiums for insurance covering indemnified persons;

- the administration of the Fund’s advisory board, including the fees and expenses of any service providers retained to advise the advisory board on matters reasonably related to the affairs of the Fund;

- all transaction-related travel expenses (including, for the avoidance of doubt, “black car” or premium on-demand-driver services and expenses pertaining to private and chartered aircraft, first class, business class or other travel airfare and any related upgrades, lodging, meals and entertainment);

- expenses incurred in connection with planning, hosting and attending annual or special meetings of the partners and one-on-one meetings between the General Partner and an investor or group of investors, including set-up costs, dining, entertainment, travel, travel-related

expenses, and rental fees, service fees and costs of event planners and space providers for such meetings, such as hotels and convention centers;

- all commitment fees, permanent debt fees, investment banking fees and similar lender fees, interest, closing fees, related legal and other third-party fees and expenses and any other expenses related to borrowed funds and guarantees, including under a Fund's subscription facility or other credit agreement;

- legal and other costs incurred to comply with the provisions of investors' side letters, such as out-of-pocket costs to respond to custom information requests, transaction structures and the development of policies and procedures to monitor compliance with such side letters

- any extraordinary expenses, including, without limitation, the Fund's exculpation and indemnification obligations;

- the winding up, liquidation or termination of the Fund, any direct or indirect subsidiary thereof, any SPV or alternative investment vehicle (to the extent not borne by the investors thereof), or the general partner of any such entity, including the fees and expenses of any liquidating trustee retained to administer the liquidation of such entities;

- any transfer of any investor's interest in the Fund (to the extent not borne by the parties to such transfer);

- the collection of amounts due to the Fund, including arising out of a default of any capital contribution when due and not recoverable from the defaulting investor;

- the organization of SPVs for co-investors formed in anticipation of an investment that is not consummated; and

- other expenses incurred in connection with the administration of the Fund and not specifically set forth above as being paid by Parthenon.

Non-investment related expenses attributable to investment vehicles constituting a Fund and not specifically set forth above as being paid by Parthenon (e.g., costs relating to the organization of such investment vehicles, syndication costs, periodic reporting, insurance, indemnification costs, annual meetings, amendments, advisory board consents, etc.) generally are borne by such investment vehicles on a pro rata basis according to their respective capital subscriptions to the Fund as a whole. However, expenses specifically attributable to the maintenance or administration of a particular investment vehicle generally will be borne by the investors in such entity, unless the applicable general partner determines in good faith that an alternative allocation of such expenses among such investment vehicles is fair and reasonable under the circumstances. Similarly, such non-investment related expenses attributable to investment vehicles that are not part of a Fund and not specifically set forth above as being paid by Parthenon generally will be borne by those investment vehicles pro rata according to the aggregate cost basis of their respective remaining investment portfolios, unless the Firm determines in good faith that an expense should be borne by a particular investment vehicle. Research conducted by Parthenon from time to time generally enhances Parthenon's general understanding and knowledge of

industries in which the Funds invest, financial and other markets, portfolio company competitors and their business models and products, as well as comparable transactions used to facilitate the valuation of existing and prospective investments, all of which potentially benefits various portfolio companies over time and therefore indirectly benefits more than one Fund over time. Research expenses generally are allocated to the Funds managed by Parthenon at the time such expenses are incurred, but generally such expenses are not allocated to co-investment vehicles, including any “Friends Funds.”

Investment related expenses attributable to more than one Fund and not allocated to the relevant portfolio company generally will be borne by those Funds on a pro rata basis according to their respective capital contributions for such investment, unless the firm reasonably determines that an expense should be borne by a particular Fund. However, please see “*Co-investment Vehicle Expenses*” below for a discussion of the allocation of expenses related to investments that are not consummated where a co-investment vehicle was anticipated to participate alongside a Fund. Taxes (including withheld amounts) incurred by the Partnership or a Parallel Fund that are not directly attributable to an investor in such entity generally will be borne by such entity, unless the applicable general partner determines in good faith that an alternative allocation among such entities is fair and reasonable under the circumstances.

Subject to the applicable Organizational Documents, investment vehicles that “feed” into underlying Funds may bear their own organizational expenses and other expenses of the type described above as Fund Expenses, and will indirectly bear a portion of the expenses of such underlying Fund in its capacity as a limited partner of the underlying Fund. Alternatively, the Organizational Documents of a Fund may provide that expenses of such Feeder Funds will be borne by the underlying Fund.

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 Organizational Documents of the 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, unless substantially all of the investors of the Fund participate (directly or indirectly) in such SPV in which case the Fund will bear such expenses. SPVs may include so-called “alternative investment vehicles” that are organized in accordance with the Organizational Documents of a particular Fund, as well as entities formed to aggregate the investments of a Fund, its Related Funds and certain other investment vehicles or investors in connection with an investment that will be allocated among such clients and entities.

SMA Expenses

An SMA for which the Firm provides non-discretionary investment sourcing services generally will be responsible for its own expenses in connection with the underlying client’s consideration and completion of Loan Transactions that it elects to participate in, such as due diligence expenses, negotiation and preparation of documentation pertaining to the Loan Transaction, all Access Fees and Closing Fees owed to the Firm, fees and costs of third-party professionals retained by the underlying client in connection with the Loan Transaction, all fees, costs and expenses related to holding, monitoring and disposing of such investments, and extraordinary

expenses, such as litigation fees and expenses to enforce the underlying client's rights with respect to collateral and otherwise exercise any rights in connection with any loan default. To the extent provided in a SMA Agreement, an underlying client may also be required to reimburse the Firm for certain out-of-pocket expenses incurred in connection with the Firm's origination efforts on behalf of the SMA. SMA clients generally are not responsible for any expenses incurred by the Funds or any other SMA except as otherwise expressly agreed with the SMA client.

Co-Investment Vehicle Expenses

In certain cases, a co-investment vehicle, or other similar vehicle established to facilitate the investment by investors to invest alongside a Fund in a particular investment may be formed in connection with the consummation of a transaction. In the event a co-investment vehicle is created, the investors in such co-investment vehicle will typically bear all expenses related to its organization and formation and other expenses incurred solely for the benefit of the co-investment vehicle. The co-investment vehicle will generally bear its pro rata portion of expenses incurred in the making, monitoring and disposition of an investment, but not any expenses unrelated to the investment.

If a proposed transaction is not consummated, no such co-investment vehicle generally will have been formed, and the full amount of any expenses relating to such proposed but not consummated transaction such as out-of-pocket fees associated with due diligence, attorney fees and the fees of other professionals related to the transaction, including the structuring and formation of the applicable Funds' and co-investors' participation in such transaction ("**Dead Deal Costs**") would therefore be borne by the Fund or Funds selected by Parthenon as proposed investors for such proposed transaction. Similarly, co-investment vehicles are not typically allocated any share of Break-Up Fees paid (or received) in connection with such an unconsummated transaction. As a general matter, no co-investor will bear Dead Deal Costs or receive (or pay) any portion of Break-Up Fees until they are contractually committed to invest in the prospective investment. The Funds and any Friends Funds established to co-invest alongside one or more Funds will bear their share of Dead Deal Costs of unconsummated investments on a pro rata basis according to their respective intended capital contributions for such investments. Dead Deal Costs may include, among other things, travel and travel-related expenses incurred by Parthenon personnel and service providers, fees and expenses incurred for legal, accounting, tax, regulatory and other due diligence and in connection with the negotiation, structuring and documentation of the proposed transaction, including similar expenses incurred by financing sources, co-sponsors and co-investors, fees and expenses of consultants, investment banks and other advisors and the related fees and expenses of their service providers, termination fees, extraordinary expenses such as litigation costs and judgments and other similar expenses, as well as non-refundable deposits and other forfeited amounts.

Allocation of Expenses

From time to time Parthenon will be required to decide whether certain fees, costs and expenses should be borne by a Fund, on the one hand, or Parthenon on the other hand, and/or whether certain fees, costs and expenses should be allocated between or among multiple 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 other parties. In exercising its discretion to allocate investment opportunities and fees and expenses, Parthenon is 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, Parthenon has an incentive to allocate investment opportunities to the Funds from which Parthenon or its related persons derive, directly or indirectly, a higher fee, compensation or other benefit. Such allocation determinations are inherently subjective and give rise to conflicts of interest due to the inherent biases in the process.

To the extent not allocated to a portfolio company, Parthenon will allocate fees and expenses incurred in the course of evaluating and making an investment that is consummated between Funds in accordance with each Fund's Organizational Documents or, to the extent not addressed in such Organizational Documents, pro rata based on their respective capital contributions for such investment, unless the Firm reasonably determines that an expense should be borne by a particular Fund or that an alternative allocation method is more appropriate under the circumstances.

The appropriate allocation between Funds, Parthenon Investors and/or individuals and entities that are not investors in any Funds ("**Third Parties**") of Dead Deal Costs and Break-Up Fees (if relevant) will be determined by Parthenon and its affiliates in their good faith discretion, consistent with the Organizational Documents of the Funds, as applicable. If multiple Funds evaluate a potential investment that is not consummated, Parthenon generally allocates fees and expenses generated in the course of evaluating such investment among such Funds based on the anticipated investment of each Fund. Such expenses typically are not allocated to co-investment vehicles or co-investors, unless such co-investors have contractually committed to invest in the prospective investment.

There may be certain rare occasions when one Fund (the "**Payor Fund**") pays an expense common to multiple funds (the "**Allocated Funds**") (e.g., legal expenses for a transaction in which all such funds participate). On such occasions, each Allocated Fund will reimburse the Payor Fund for its share of such expense, without interest, promptly after the payment is made by the Payor Fund. While highly unlikely, it is possible that one of the Allocated Funds could default on its obligation to reimburse the Payor Fund.

With respect to allocating other expenses among Fund(s), co-investment vehicles, Parthenon Investors and/or Third Parties, as appropriate, to the extent not addressed in the Organizational Documents of a Fund, Parthenon will make any such allocation determination in a fair and reasonable manner using its good faith judgment, notwithstanding its interest (if any) in the allocation. Parthenon will make any corrective allocations and take any mitigating steps if it determines such corrections are necessary or advisable. Notwithstanding the foregoing, 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.

Parthenon incurs travel, research and due diligence expenses over several years in connection with the identification, evaluation and investigation of investment opportunities, including as a result of Parthenon's "deep dive" efforts. Research expenses are allocated to the Funds managed by Parthenon at the time incurred. Similarly, investment-related expenses are typically borne by

the Funds for whom the investment is under consideration, even if the investment is ultimately rejected on behalf of a Fund or is not consummated for other reasons. The Firm may subsequently determine to pursue the investment opportunity on behalf of another Fund or SMA. A conflict arises because one Fund or SMA may benefit from the initial evaluation, investigation and due diligence undertaken by the Firm on behalf of another Fund or SMA. In such circumstances, the benefiting Fund or SMA will not be required to reimburse the Fund that incurred such expenses.

Similarly, fees and expenses relating to equity investment opportunities allocated to the Funds generally will not be allocated to SMAs focused on Loan Transactions because such SMAs in general are not investing in equity securities. However, a SMA may benefit indirectly from the evaluation, investigation, due diligence and other fees and expenses incurred in connection with the Firm's sourcing and consideration of equity investment opportunities on behalf of the Funds to the extent the SMA enters into Loan Transactions with such issuers.

Brokerage Fees

Neither the Firm nor any of its supervised persons accepts compensation for the sale of securities or other investment products. For additional information regarding brokerage practices, please see Item 12 below.

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

As described in Item 5, certain Funds allocate a portion of the net profits from the disposition of investments to the Fund's general partner as Carried Interest. Each general partner of a Fund is a related person of Parthenon. Carried Interest paid by a Fund is indirectly borne by investors in such Fund. Certain Funds and investors in such Funds may incur lower or no Carried Interest.

The payment by some, but not all, Funds of Carried Interest or at varying rates creates an incentive for Parthenon to disproportionately allocate time, services or functions to Funds paying Carried Interest, or allocate investment opportunities to such Funds. Generally, and except as may be otherwise set forth in the Organizational Documents of the Funds, this conflict is mitigated by (i) certain limitations on the ability of Parthenon 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. Please also see Item 11 below regarding allocation for additional information relating to how conflicts of interests are generally addressed by Parthenon.

Item 7. Types of Clients

Funds

As described in Item 4, Parthenon provides investment supervisory services the Funds in accordance with the terms of the Organizational Documents. Investment advice is provided directly to the Funds (subject to the direction and control of the general partner of each such Fund, if applicable) and not individual to investments in such Fund.

Interests in the Funds are offered pursuant to applicable exemptions from registration under the Securities Act and the 1940 Act. Investment in the Funds is generally only available to institutional investors and certain high net worth investors that are "accredited investors" and/or "qualified purchasers," within the meaning of the Securities Act, and the Investment Company Act, respectively.

Limited partnership interest holders may include, among others, governmental and corporate pension and profit-sharing plans, endowments, private investment funds, banks, insurance companies, sovereign wealth funds, funds of funds, high net worth individuals or their related family offices, trusts, estates, charitable organizations, corporations, limited partnerships, and limited liability companies or other entities. In addition, employees and other persons associated with Parthenon and/or its affiliates, including the general partner, may make capital contributions to the Funds.

An affiliate of Parthenon serves as the general partner of each Fund and the general partner will make specific capital commitments to the Funds, with such general partner capital commitments subject to specific terms as set forth in the Organizational Documents.

An affiliate of Parthenon serves as the general partner of each Fund and the general partner will make specific capital commitments to the Funds, with such general partner capital commitments subject to specific terms as set forth in the Organizational Documents.

The Funds generally have a specified minimum investment as set forth in the Organizational Documents. The general partner of each Fund may, in its sole discretion, accept investment commitments of lesser amounts than the stated minimum. As a general matter, there is no minimum capital commitment amount for investors in certain co-investment vehicles.

SMA Arrangements

As described in Item 4, Parthenon also provides non-discretionary investment sourcing services to institutional clients in accordance with the terms of the applicable SMA Agreement, and may in the future provide discretionary investment advisory services to SMAs. SMA institutional clients may include, among others, governmental and corporate pension and profit-sharing plans, endowments, private investment funds, banks, insurance companies, sovereign wealth funds, funds of funds, high net worth individuals or their related family offices, trusts, estates, charitable organizations, corporations, limited partnerships, and limited liability companies or other entities. These institutional clients generally are “accredited investors” within the meaning of the Securities Act and may be “qualified purchasers” within the meaning of the 1940 Act.

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

The Organizational Documents for each Fund set forth the terms of such investment and identify the Fund’s investment objectives along with risk factors. The Organizational Documents contain additional information on the risks associated with an investment in the respective Fund, and should be reviewed by any prospective investor.

Investment Strategies and Methods of Analysis

The Firm generally seeks to make private equity investments in growth-oriented, middle-market companies located primarily in the United States. The Firm seeks to invest in businesses which have strong and sustainable competitive positions, sufficient scale to attract professional management and the ability to demonstrate continued significant growth.

Parthenon seeks to invest capital and strategic resources for acquisitions, internal growth strategies and shareholder liquidity. The Firm seeks to drive value through hands-on transformation of portfolio companies in niche industry sectors. The three industry sectors where the Firm focuses are: financial services; healthcare services; and business and technology services.

Parthenon seeks investments primarily through equity recapitalizations that are executed in close partnership with management teams. The Firm targets control positions and seeks to build portfolio companies to \$200+ million in annual revenues. Generally, the Funds seeks to invest between \$20 million and \$75 million in equity per portfolio company and expect management to invest a meaningful amount of capital. Parthenon seeks investment opportunities in certain high-growth niches within its target industry sectors that have unique and complex cycles, market dynamics, business models and accounting methods. The Firm’s investment strategy is predicated on five key tenants:

- Thesis-driven industry expertise in niche sectors, developed through research and networking, often for years before committing capital to an investment.

- Transformational capabilities that drive significant business change during the investment period.
- Partnership orientation and focus on transaction dynamics where the Firm's resource-intensive partnership model is most appealing and valuable.
- Proactive, niche-focuses sourcing leading to proprietary/preferred deals and management teams.
- Reliance on growth and margin improvement with less leverage than typical buyouts.

The Firm's investment strategies do not include frequent trading.

In addition, as noted in Item 4 above, the Firm provides non-discretionary sourcing services to one SMA that seeks investments structures as Loan Transactions.

Risk Factors Pertaining to Private Equity Investments Generally

Private equity investing involves significant risks. Investment in the Funds involve a significant degree of risk, relating both to the types of investments contemplated by the Funds, and Firm's ability to achieve its investment objectives. The discussion below of risks associated with an investment in any of the Funds does not contain an exhaustive list of all such risks. You should review the confidential offering memoranda of the relevant Fund for a more detailed discussion of risks.

Risk of Loss

An investment in any of the Funds is speculative. There can be no assurance that the Funds will achieve their investment objective or any particular level of returns. An investor may lose money by investing in the Funds.

Highly Competitive Market for Investments

The business of identifying and structuring transactions of the nature contemplated by the Funds is highly competitive. The Funds will be competing for investments with other private equity investment vehicles as well as other institutional investors. The size and number of private equity investment vehicles has grown dramatically in recent years, and it is likely that these trends will continue in the future. Other investors may make competing offers for investment opportunities that are identified, and even after an agreement in principle has been reached with respect to an investment, consummating the transaction is subject to a myriad of uncertainties, only some of which are foreseeable or within the control of the Funds. There can be no assurance that the Funds will be able to locate suitable investment opportunities, acquire them for an appropriate level of consideration, achieve a superior rate of return, or fully invest its committed capital.

Concentration of Investments

The Funds portfolios generally do not have diversified investment portfolios. The Funds generally focus on equity investments in middle market companies primarily in the financial services, healthcare services and technology and business services industries ("**Targeted Sectors**"), and the Management Company intends to make investments opportunistically when

constructing a Fund's investment portfolio. As a result, each Fund's portfolio is generally concentrated, both in terms of the types of securities a Fund acquires and the Targeted Sectors in which a Fund seeks to invest, than would be the case if a Fund were required to maintain a wide diversification among types of securities, issuers, industries and geographic areas. As a result, unfavorable performance by a small number of investments or of a particular Targeted Sector could substantially adversely affect the aggregate returns realized by a Fund. Further, the number and size of a Fund's investment portfolio depends in part on the capital raised by a Fund. If less capital is raised than the targeted amount, the Fund may invest in fewer portfolio companies and be even less diversified.

Leveraged Investments

While investments in highly leveraged companies offer the opportunity for capital appreciation, such investments also involve a high degree of risk. Some of the Funds' investments may involve high degrees of leverage, including without limitation as a result of borrowing at one or more level of the investment structure or implicit leverage as a result of derivative transactions, as a result of which recessions, operating problems and other general business and economic risks can have a more pronounced effect on the profitability or survival of the Funds' portfolio companies. A Fund's ability to achieve attractive rates of return on investments will depend on the ability of its portfolio companies to access sufficient sources of debt at attractive rates, including at disposition. However, availability of capital from the debt markets is subject to volatility from time to time, and there may be times when the Funds might not be able to access those markets at attractive rates, or at all, when completing an investment. Also, increased interest rates generally increase portfolio company interest expenses. In the event any such portfolio company cannot generate adequate cash flow to meet debt service, the Funds are likely to suffer a partial or total loss of capital invested in the portfolio company. The Funds may incur leverage for any purpose that the applicable general partner considers appropriate, including without limitation borrowings to fund investments pending take-downs of capital and in connection with credit support. Certain uses of leverage may result in adverse tax consequences for certain investors.

Financial Market Fluctuations

General fluctuations in the market prices of securities and economic conditions generally may affect the Funds' ability to make investments and the value of the investments held by the Funds. Instability in the securities markets and economic conditions generally increase the risks inherent in the Funds' investments. While adverse market conditions at a particular moment in time may create opportunities for the Funds to make investments at prices that the general partner and Parthenon believe are attractive at such time, such conditions create a number of risks. 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. There can be no assurance that the public securities market will be sufficiently liquid at the time of a desired sale of a portfolio company or at any other time. In the past, many private equity funds have looked to the public securities markets as a potential exit strategy. There can be no assurance that Funds will be able to exit from their investments in portfolio companies by listing their shares on securities exchanges. Volatility in the financial sector may have an adverse material effect on the ability of the Funds to buy, sell and partially dispose of

their portfolio company investments. 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 Parthenon believes it is most advantageous to do so, or without adversely affecting the stock price. A Fund may be adversely affected to the extent that it seeks to dispose of any of its portfolio investments into an illiquid or volatile market, and a Fund may find itself unable to dispose of an investment at a price that the general partner and Parthenon believe reflect the investment's fair value. The duration and ultimate effect of adverse market conditions and whether such conditions may worsen cannot be predicted. The ability of portfolio companies to refinance debt securities depends on their ability to sell new securities in the public high yield debt market or otherwise.

Time Required to Dispose of Investments

It is anticipated there will be a significant period of time before the Funds have completed their investments in portfolio companies (for some Funds at least thirteen years). Such investments may typically take from five to twelve years from the date of initial investment to reach a state of maturity when realization of the investment can be achieved. In light of the foregoing, it is likely that no significant return from the disposition of the Funds' investments will occur for a significant period of time following the Funds' start of operations. A Fund may make investments which may not be advantageously disposed of prior to the date the Fund is supposed to be dissolved, either by expiration of such Fund's term or otherwise. Although Parthenon expects that most of a Fund's investments will be disposed of prior to the Fund's dissolution, the Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. Portfolio companies may desire that affiliates of the Fund, including other funds managed by the Firm, recapitalize the company, which would create conflicts of interest with respect to a Fund that holds an existing investment in such portfolio company.

Illiquidity of Funds' Portfolio Investments

It is anticipated that all or a substantial portion of the Funds' investments will consist of securities that are subject to restrictions on sale by the Funds because they were acquired from the issuer in "private placement" transactions or because the Funds are deemed to be affiliates of the issuer. Generally, the Funds will not be able to sell these securities publicly without the expense and time required to register the securities under the Securities Act of 1933, as amended (the "**Securities Act**"), 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. When restricted securities are sold to the public, the respective Fund may be deemed an "underwriter," or possibly a controlling person, with respect thereto for the purpose of the Securities Act and be subject to liability as such thereunder. In addition, practical limitations may inhibit the respective Fund's ability to liquidate certain of its investments in the portfolio companies since the issuer will be privately held and the respective Fund will own a relatively large percentage of the issuer's equity securities. Sales may also be limited by market conditions, which may be unfavorable for sales of securities of particular issuers or issuers in particular industries. The above limitations on liquidity of the Funds' investments could prevent a successful sale thereof, result in delay of any sale, or reduce the amount of proceeds that might otherwise be realized.

Reliance on Management

Decisions with respect to the management of the Funds will be made by the applicable general partner with the advice of Parthenon. The success of the Funds will depend on the ability of Parthenon to identify and consummate suitable investments, to improve the operating performance of portfolio companies, and to dispose of investments of the Funds at a profit. These objectives may not be achieved. The loss of the services of one or more of the members of the professional staff or partners of Parthenon could have an adverse impact on the Funds' ability to realize its investment objective. In addition, it is expected that all of the officers and employees responsible for managing or advising the Funds will continue to have responsibilities with respect to other funds and accounts managed and advised by Parthenon. Thus, such persons will have demands made on their time for the investment, monitoring, exit strategy and other functions of other funds and accounts.

In addition, although Parthenon monitors the performance of each Fund's investments, it will be the responsibility of each portfolio company's management team to operate the portfolio company's business on a day-to-day basis. Although the Funds generally intend to invest in companies with competent management and or recruit competent management to such companies, there can be no assurance that the management of such companies will be able or willing to successfully operate a company in a manner that maximizes the value of the company's business and operations.

Repayment of Certain Distributions

In the event that the respective Fund is unable otherwise to meet its obligations, the limited partners may be required to repay to the respective Fund or to pay to creditors of the respective Fund distributions previously received by them. In addition, limited partners may be required to pay to the Funds amounts which are required to be withheld by the Funds for tax purposes. Further, in connection with the disposition of an investment in a portfolio company, the Funds may be required to make representations about the business and financial affairs of such company, and to indemnify the purchasers of such investment if those representations are inaccurate. Parthenon, or its affiliated general partners, may establish reserves as appropriate to provide for such contingent liabilities. In the event that the amount of such contingent liabilities exceeds the reserves and other assets of the respective Fund, the limited partners may be required to repay to the Funds or to pay to creditors of the Funds distributions previously received by them.

Need for Follow-on Investments

Following a Fund's initial investment in a given portfolio company, Parthenon may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company (whether for opportunistic reasons, to fund the needs of the business, as an equity cure under applicable debt documents or for other reasons). There is no assurance that any Fund will have the opportunity to make follow on investments or that a Fund will have sufficient funds to make all or any of such investments. Any decision by Parthenon not to make follow on investments or a Fund's inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment

(including an event of default under applicable debt documents in the event an equity cure cannot be made). Additionally, such failure to make such investments may result in a lost opportunity for a Fund to increase its participation in a successful portfolio company or the dilution of a Fund's ownership in a portfolio company if the portfolio company obtains financing from a third party.

Third-Party Involvement

The Funds will likely co-invest with third-parties through partnerships, joint ventures or other entities. Such investments often involve risks not present in investments where a third-party is not involved, including the possibility that a third-party co-venturer or partner will at any time have economic or business interests or goals which are inconsistent with those of the Funds, or will be in a position to take action contrary to the investment objective of the Funds. In addition, a Fund may in certain circumstances be liable for actions of its third-party co-venturer or partner.

Adverse Consequences of Ownership of Controlling Interests in Portfolio Companies

It is expected that the Funds will acquire a controlling percentage of the common equity of their portfolio companies which, depending upon the amount of equity owned by the Fund, contractual arrangements between the company and the Funds, and other relevant factual circumstances could result in an extension to one year of the 90-day bankruptcy preference period with respect to payments made to the Funds. In addition, because of its equity ownership, representation on the board of directors and/or contractual rights, the Funds may often be thought to control, participate in the management of or influence the conduct of its portfolio companies. This could expose the assets of the Funds to claims by a portfolio company, its other security holders, its creditors or governmental agencies. Under Title IV of the Employee Retirement Income Security Act, employers who sponsor defined benefit pension plans or contribute to so-called "multiemployer" plans may be liable to the plan or the Pension Benefit Guaranty Corporation in the event of a full or partial plan termination or withdrawal from participation. This liability extends to other entities within the same "controlled group" as well as other "trades or businesses under common control". An entity such as a Fund (alone or with other Funds), potentially could be treated as a "trade or business" for this purpose depending upon the level of active management and other factors. If a Fund were to be deemed a "trade or business" with the requisite level of ownership of a portfolio investment, the Fund itself could face liability for the Title IV obligations of its portfolio, as could other portfolio investments deemed to be under common control.

Special Risks Associated with Non-U.S. Investments; Exchange Rate Risk

The Funds invest in portfolio companies that are organized, headquartered or that have their principal operations outside the United States. These investments involve special risks not typically associated with investments in the securities of U.S. issuers, including: (i) economic and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital, the risks of political, economic and social instability, and the possibility of expropriation or confiscatory taxation;; (ii) differences between U.S. and foreign securities markets, including potentially greater price volatility and illiquidity of 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) currency exchange risks, including the cost of converting investment cash flows from one currency into another and the possibility of fluctuations in exchange rates; and (iv) tax-related issues, including the possibility of withholding taxes, and the possibility of double taxation of income earned overseas. Such factors may adversely affect the value of a Fund's non-U.S. investments and the overall value of an investor's interest in the Fund.

Third Party Litigation

The Funds' investment activities will subject it to the normal risks of becoming involved in litigation by third parties. These risks are elevated where the respective Fund exercises control or significant influence over an issuer's direction or becomes involved in official or unofficial creditor committees. The expense of defending against any claims by third parties and paying any amounts pursuant to settlements or judgments will generally be borne by the respective Fund.

Market Risks

The values of the Funds' investments could be affected by factors affecting markets generally, such as real or perceived adverse economic conditions, supply and demand for particular goods and services, changes in the general outlook for certain markets or corporate earnings, disruptions caused by innovations, interest rates, announcements of political information or adverse investor sentiment generally. The values of the Funds' investments may decline for many reasons, including a deterioration of the economy generally or the loss of consumer confidence in the markets in which the Funds hold investments and unfavorable consumer sentiment. Unfavorable market conditions may also increase the Funds' funding costs, limit their access to the capital markets or result in a decision by lenders not to extend credit to the Funds or its portfolio companies. These events could prevent the Funds from increasing portfolio investments through leverage and have an adverse effect on their operating results.

Valuation of Assets and Projections

There is no actively traded market for most of the securities owned by the Funds. When estimating fair value, Parthenon will apply a methodology based on its best judgment that is appropriate in light of the nature, facts and circumstance of the investments. The Funds rely on projections, forecasts and estimates developed by the applicable Fund's portfolio company management. Projections, forecasts and estimates are forward-looking statements and are based upon certain assumptions. Actual events are difficult to predict and beyond a Fund's control, and may differ from the assumptions relied on for valuation purposes. 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. Some important factors that could cause actual results to differ materially from those in any forward-looking statements include changes in interest rates and domestic and foreign business, market, financial or legal conditions, among others. Third-party pricing generally is not available regarding a Fund's privately held assets. Accordingly, there can be no assurance that estimated returns or projections calculated based on such valuations will be

realized or that actual returns or results will not be materially lower than those previously estimated. With respect to the Funds, the exercise of discretion in valuation by Parthenon may give rise to conflicts of interest, as valuations impact Parthenon's track record and the performance allocation in certain Funds is calculated based, in part, on these valuations and such valuations affect the amount and timing of performance allocations.

Cybersecurity Risk

Parthenon, 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 the Funds and their investors, despite the efforts of Parthenon 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. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to these systems of Parthenon, 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 Parthenon's systems to disclose sensitive information in order to gain access to Parthenon's data or that of the Funds' investors. A successful penetration or circumvention of the security of Parthenon'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, Parthenon or their service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss. In addition, Parthenon may incur substantial costs related to forensic analysis of the origin and scope of a cybersecurity breach, identity theft, unauthorized use of proprietary information, and adverse investor reaction or litigation, as well as the cost of implementing upgraded procedures to protect against cybersecurity threats.

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

Changes in Investment Focus

The Funds are not restricted in terms of the percentage of capital that can be invested in a particular industry. Many factors contribute to changes in emphasis in the construction of a Fund's portfolio, including changes in market or economic conditions or regulation applicable to particular industries and changes in the political or social situations in particular countries. As a result, the Funds may pursue additional investment strategies and may modify or depart from their initial investment strategy, investment process and investment techniques as Parthenon determines appropriate. There can be no assurance that the investment portfolio of a Fund will resemble the portfolio of any prior Fund.

Investments in Equity Securities

The Funds generally seek to invest primarily in equity securities. Equity securities generally involve a high degree of risk and will be subordinate to the debt securities and other indebtedness of the issuers of such equity securities. Prices of equity securities generally fluctuate more than prices of debt securities and are more likely to be affected by poor economic or market conditions. In some cases, the issuers of such equity securities may be highly leveraged or subject to other risks such as limited product lines, contracts, markets or financial resources. In addition, actual and perceived accounting irregularities may cause dramatic price declines in the equity securities of companies reporting such irregularities. A Fund may experience a substantial or complete loss on its individual equity securities.

Investments in Debt Securities

While the Funds invest primarily in equity securities, the Funds may invest in debt securities of existing or new portfolio companies or other issuers in instances where Parthenon believes it would be beneficial for the Funds to do so. Debt securities are subject to creditor risks, including the possible invalidation of an investment transaction as a “fraudulent conveyance” under relevant creditors’ rights laws and so-called lender liability claims by the issuer of the obligations. Conflicts of interest could arise in the event that a Fund and/or its affiliates own both debt and equity securities of the same portfolio company. Additionally, adverse credit events with respect to any portfolio company, such as missed or delayed payment of interest and/or principal, bankruptcy, receivership, or distressed exchange, can significantly diminish the value of a Fund’s investment in any such company. In addition, depending on fluctuations of the equity markets, warrants and other equity securities may become worthless. Accordingly, there can be no assurance that a Fund’s rate of return objectives will be realized. Any secured debt is secured only to the extent of its lien and only to the extent of underlying assets or incremental proceeds on already secured assets. Moreover, underlying assets are subject to credit, liquidity, and interest rate risk. Although the amount and characteristics of underlying assets selected as collateral may allow a Fund to withstand certain assumed deficiencies in payments occasioned by an issuer’s default, if any deficiencies exceed such assumed levels or if underlying assets are sold it is possible that the proceeds of such sale or disposition will not be equal to the amount of principal and interest owing to a Fund in respect to its investment. Any subordinated investments of a Fund will be subordinated to the senior obligations of an issuer. In addition, many of the remedies available to subordinated holders are available only after satisfaction of claims of senior creditors. Any such subordinated investments may be characterized by greater credit risks than those associated with the senior obligations of the same issuer. Adverse changes in the financial condition of an issuer or in general economic conditions (or both) may impair the ability of such issuer to make payments on the subordinated securities and result in defaults on and declines in the value of such securities more quickly than in the case of the senior obligations of such issuer.

Lack of Control in Minority Investments

A Fund’s investments in certain circumstances represent a minority position in portfolio companies, without power individually to exert significant control over such portfolio

companies' boards of directors and management. In such cases, a Fund will rely significantly on the existing management and boards of directors of such companies, which may include representatives of other investors with whom the Fund is not affiliated and whose interests or views may conflict with the interest of the Fund.

Board Participation

The Funds are typically represented on the boards of directors of certain portfolio companies and may have its representatives serve as observers to such boards of directors. Although such positions in certain circumstances may be important to a Fund's investment strategy and may enhance Parthenon's ability to manage the Fund's investments, they may also have the effect of impairing Parthenon's ability to sell the related securities when, and upon the terms, it may otherwise desire, and may subject Parthenon and the Funds 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. In general, the Funds are required to indemnify certain persons under their Organizational Documents.

Investments Longer Than Term

A Fund may make investments which may not be advantageously disposed of prior to the date the Fund is dissolved, either by expiration of such Fund's term or otherwise. Although Parthenon expects that investments will be disposed of prior to dissolution, Parthenon has a limited ability to extend the term of the Fund. Consequently, the Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution.

Investments in Pass-Through Entities

Certain of the Funds' investment portfolios include one or more entities treated as "pass-through entities" for U.S. federal income tax purposes. A Fund's investment in an entity which is treated as a pass-through entity could result in (a) the generation of taxable income for the Fund and its Partners, even though they will not necessarily receive the cash flow related to such taxable income, (b) the generation of UBTI for tax-exempt investors and income that is ECI for non-U.S. investors, and (c) the treatment of the Fund (and therefore its Partners, including non-U.S. Partners) as being engaged in the conduct of a U.S. trade or business.

Risks Related to Regulatory Changes

The Alternative Investment Fund Managers Directive

The Alternative Investment Fund Managers Directive (the "AIFMD") may have an adverse effect on the continued operation of a Fund whose interests were offered to investors in the European Economic Area (the "EEA"). The AIFMD applies to the manager of any investment fund which is not authorized under the Undertakings for Collective Investment in Transferable Securities Directive (an "AIF") or does not otherwise fall within a relevant exclusion under the AIFMD (an "AIFM"). One of these exclusions includes the offerings and sales of interests in a fund to investors that approached the fund or relevant manager at the investor's own initiative.

In this respect, Parthenon accepts subscriptions from EEA investors only to the extent Parthenon concludes that such investors approached Parthenon at their own initiative or if Parthenon otherwise determines that AIFMD does not apply to Parthenon or a Fund. There is a risk that an EEA Member State or European Union (“EU”) regulatory or governmental authority may reach a different conclusion. Such a finding may result in a regulatory or governmental authority or court in an EEA Member State requiring Parthenon or a Fund to return any capital or other funds to investors or otherwise seeking to take other enforcement or remedial action against Parthenon and/or the Fund. This may result in a reduction in the overall amount of capital available to the Fund which limits, in turn, the range of investments that the Fund would be able to pursue and make or otherwise result in a loss to the Fund, including incurring significant legal fees and expenses and fines or penalties for failure to comply with AIFMD.

The AIFMD also imposes certain requirements and restrictions where a Fund acquires control of an EEA portfolio company. The EEA portfolio company requirements will include the requirement to make certain notifications and disclosures where the Fund acquires or disposes of shares in an EEA portfolio company. These include restrictions on the extent to which the Fund can bring about or support distributions, acquisition of shares or reductions in the capital of an EEA portfolio company. These requirements and restrictions may limit the use of certain investment and realization strategies, such as dividend recapitalizations and reorganizations. These requirements and restrictions may also place a Fund at a disadvantage as against competitors that do not use a fund structure or whose fund(s) have not been marketed in any EEA Member State. In addition, compliance with these requirements and restrictions may result in additional costs to a Fund, reducing the returns for investors.

For the purposes of the AIFMD, Parthenon is a non-EEA AIFM and the Funds are non-EEA AIFs. Parthenon is not required to comply with any of the requirements of the AIFMD with which a EEA AIFM is otherwise required to comply, and investors will not receive the full protections or benefits available under the AIFMD which would otherwise be available to investors in an AIF managed by an EEA AIFM.

Data Protection Laws

Compliance with current and future privacy, data protection and information security laws, and the ways that these are applied or interpreted by regulators and courts, could significantly impact a portfolio company’s current and planned privacy and information security-related practices, as well as its collection, use, sharing, retention and safeguarding of personal data and its current and planned business activities. A failure to comply with such laws could result in fines, sanctions or other penalties, which could materially and adversely affect results of operations and overall business, as well as have an impact on the portfolio company’s reputation among its customers, all which would adversely affect the value of a Fund’s investment in the portfolio company.

Absence of Investment Company Act Registration

The Funds are not registered with the U.S. Securities and Exchange Commission (the “SEC”) as investment companies pursuant to the Investment Company Act of 1940, as amended (the “Investment Company Act”), in reliance upon an exemption available to privately offered

investment companies and, accordingly, the provisions of the Investment Company Act are not applicable to the Funds. If the SEC or a court of competent jurisdiction were to find that a Fund is required to have, but in violation of the Investment Company Act had failed to, register as an investment company, possible consequences include, but are not limited to, the following: (i) the SEC could apply to a district court to enjoin the violation; (ii) Limited Partners could sue the Fund and recover any damages caused by the violation; and (iii) any contract to which the Fund is party that is made in, or whose performance involves, a violation of the Investment Company Act would be unenforceable by any party to the contract unless a court were to find that under the circumstances enforcement would produce a more equitable result than non-enforcement and would not be inconsistent with the purposes of the Investment Company Act. Should a Fund be subjected to any or all of the foregoing, the Fund would be materially and adversely affected.

Absence of Commodity Exchange Act Registration

Each Fund's general partner claims an exemption from registration with the National Futures Association ("NFA") as a commodity pool operator with respect to such Fund pursuant to CFTC Rule 4.13(a)(3) under the Commodity Exchange Act. Accordingly, each Fund's general partner will not be subject to certain regulatory requirements that are intended to provide certain regulatory safeguards to investors. Parthenon also has claimed an exemption from registration with the NFA as a commodity trading advisor under CFTC Rule 4.14(a)(8). If any future regulatory change causes Parthenon or a Fund's general partner to lose either exemption, there could be a material adverse effect on the Fund.

Sanctions Compliance Considerations

Economic sanctions laws in the United States and other jurisdictions may prohibit or otherwise restrict the General Partner, the Fund, its portfolio companies and their respective officers, directors and employees from engaging in transactions in or relating to certain countries and relating to certain individuals and entities. In the United States, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") administers and enforces laws, executive orders and regulations establishing U.S. economic and trade sanctions. Such sanctions prohibit, among other things, transactions with, and the provision of services to, certain foreign countries, territories, entities and individuals. These persons and entities include specially designated nationals and other persons and entities targeted by OFAC sanctions programs. The lists of OFAC restricted countries, territories, persons and entities, including the List of Specially Designated Nationals and Blocked Persons, as such list may be amended from time to time, can be found on the OFAC website at www.treas.gov/ofac. In addition, certain programs administered by OFAC prohibit dealing with individuals or entities in certain countries regardless of whether such individuals or entities appear on the lists maintained by OFAC. These types of sanctions and similar laws and regulations in non-U.S. jurisdictions may conflict with one another, such that compliance with all applicable laws may be difficult. Failure to comply with OFAC or other relevant sanctions could have serious legal and reputational consequences, including civil and criminal penalties.

Anti-Corruption & Anti-Boycott Considerations

The U.S. Foreign Corrupt Practices Act (“FCPA”), the U.K. Bribery Act (“UKBA”) and other anti-corruption and anti-bribery laws, as well as U.S. anti-boycott regulations, may impact Parthenon, the Funds and a Fund’s portfolio companies. A Fund may be adversely affected or miss out on opportunities because of unwillingness to participate in transactions that potentially violate such laws and regulations. Such laws and regulations may make it difficult in certain circumstances for a Fund to act successfully on investment opportunities or to obtain or retain business. In recent years, U.S. regulators have been increasingly focused on private equity sponsors’ compliance with the FCPA. Any determination of a violation of the FCPA, the UKBA or other applicable anti-corruption laws, anti-bribery laws, or U.S. anti-boycott regulations, could expose Parthenon and the Funds to civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and/or a general loss of investor confidence, any one of which could adversely affect a Fund’s business prospects and/or financial position, as well as the ability to achieve its investment objective and/or conduct its operations.

HSR Act Regulation and Enforcement

The growth of the private equity industry and the increasing size and reach of private equity transactions has prompted additional governmental attention to the industry and its practices. In particular, the acquisition of equity securities may result in greater frequency of reporting and compliance obligations under the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the “HSR Act”) than Parthenon’s historical experience as it seeks to invest in larger companies. Compliance with the HSR Act could significantly delay the closing of a transaction, lead to deal abandonment, increase the cost of operating a Fund, and/or infringe upon the ability of a Fund to engage in certain transactions.

Pay-to-Play Laws, Regulations and Policies

A number of U.S. states and municipal pension plans have adopted so-called “pay-to-play” laws, regulations or policies which prohibit, restrict or require disclosure of payments to, and/or certain contacts with, certain officials by persons and entities seeking to do business with such governmental entities, including those seeking investments by public retirement funds. In addition, the SEC has adopted a rule that, among other things, prohibits an investment adviser from providing advisory services for compensation to a government client for two years after such investment adviser or certain of its executives or employees makes a contribution to certain elected officials or candidates. If Parthenon any of its employees or affiliates, or any service provider acting on their behalf fails to comply with such laws, regulations or policies, such non-compliance may have an adverse effect on the Fund. Limited Partners may also seek to pursue individual remedies, including withdrawal rights, which may be included in side letters or other similar agreements or otherwise imposed by applicable law, regulation or policy.

Coronavirus Outbreak Risks

The recent global outbreak of the 2019 novel coronavirus (“CV”) and regulatory and voluntary measures taken to mitigate the spread of the virus has meaningfully disrupted the global

economy and markets, and has lead to an economic slowdown in most countries, the duration of which is not yet known. The global pandemic has had an adverse effect on the operations and financial condition of the Funds' portfolio companies and the industries in which they operate. In addition, a prolonged CV outbreak will continue to affect a Fund's ability to identify suitable investment opportunities and to dispose of investments if buyers retrench from pursuing investment opportunities due to the prolonged uncertainty. The spread of CV among Parthenon's personnel (or its service providers) could also significantly affect Parthenon's operations and ability to properly oversee the affairs of the Funds.

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 Parthenon'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 Parthenon to incentivize, attract and retain these professionals, which may have an adverse effect on Parthenon's ability to achieve the investment objectives of the Funds. In addition, this can create a conflict of interest as the tax position of Parthenon 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 on behalf of the Funds, including with respect to decisions on the timing and structure of investments and dispositions and whether to pursue other realization events during the holding period of an investment such as non-liquidating distributions. For example, the Tax Act gives Parthenon 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. The Tax Act also creates the incentive for Parthenon to waive receipt of such Carried Interest and recoup such amount from subsequent liquidity events at potentially lower tax rates than the tax rates borne by the Fund's investors with respect to the earlier distributions.

Risk Factors Pertaining to Middle Market Lending

In addition to the significant risks associated with private equity investing, as described above, clients that invest primarily in Loan Transactions may also be exposed to additional substantial risks associated with such transactions. The discussion below of risks associated with Loan Transactions does not contain an exhaustive list of all such risks.

General Risks of Debt Securities

Loan Transactions are subject to credit and interest rate risks. “Credit risk” refers to the likelihood that an issuer or borrower will default in the payment of principal or interest on an instrument. In addition, lack or adequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the term of an instrument. “Interest rate risk” refers to the risk associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (particularly with fixed rate securities) and directly (particularly for instruments with adjustable rates). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable interest rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree, depending on the specific terms of the adjustable rate.

Business Risks

Loan Transactions sourced by the Firm generally consist of senior secured or subordinated or unsecured loans to small or medium-sized middle market companies. These companies generally have limited access to capital and higher funding costs, may be in a weaker financial position, may need more capital to fund their growth initiatives, and may be unable to obtain financing from more traditional financing sources. Loans to these companies involve a high degree of business and financial risk that can result in substantial losses.

Portfolio companies may suffer operating losses or significant variations in operating results and may be engaged in rapidly changing businesses, any one or more of which may adversely affect a company’s cash flows and ultimately ability to service its debt obligations, including interest and principal payments to a lender. A SMA that lends to such companies may suffer significant charge-offs, impairments and nonaccruals, which may exceed our allowance for credit losses and could negatively impact the SMA’s investment performance.

Some Loan Transactions may consist of loans that are unsecured and subordinated to substantial amounts of senior indebtedness. Accordingly, there can be no assurance that a SMA that invests in such Loan Transactions will achieve its investment objectives or that there will be any return of capital.

Syndications, Assignments and Participations

Loan Transactions may consist of interests in loans, generally alongside one or more lead lenders in club and syndicated transactions or directly through assignments or indirectly through participations. A SMA that acquires an interest in such Loan Transactions may not have the opportunity to negotiate covenants or other protective terms with the borrower that it otherwise could if the SMA were the sole lender in these transactions. SMAs may not have control over how these loans are administered on a day-to-day basis, and may be subject to subordination or similar “stand-still” requirements that contractually prevent the SMA from taking actions to enforce whatever rights may be available to the SMA. Such limitations may also require that a SMA seek approvals from other lenders before taking such actions. Loan Transactions typically include contractual restrictions on transferring interests in loans and there may be no established

trading market for such loans. Such restrictions and limited rights, if any, may impact a SMA's ability to obtain liquidity or reduce or limit potential losses with respect to non-performing loans.

In club deals or syndications that involve a number of unaffiliated lenders, a SMA typically has a direct creditor-debtor relationship with the borrower with the right to enforce the terms of the loan agreement, although such actions typically must be taken in concert with the other lenders. There may be various conflicts of interests among the lenders that could impede a SMA's ability to exercise its rights against a borrower. The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning lender and becomes a contracting party under the loan agreement with respect to the loan; however, its rights can be more restricted than those of an assigning lender. Participations in a portion of a loan typically result in a contractual relationship only with the lender participating-out the interest and not with the borrower. While a SMA in each case would have the right to receive payments of principal and interest to which it is entitled, in a participation the SMA would receive such payments only from the lender selling the participation, and not directly from the borrower, and only upon receipt by such lender of such payments from the borrower. As the owner of the participation, a SMA generally will have no right to enforce compliance by the borrower with the terms of the loan agreement or to vote on amendments to the loan agreement, nor any rights of set-off against the borrower, and the SMA may not directly benefit from collateral supporting the loan in which it holds the participation. In addition, in the event of the insolvency of the selling lender under the laws of the United States and the state thereof, a SMA may be treated as a general creditor of such selling lender, and may not have any exclusive or senior claim with respect to the selling lender's interest in, or the collateral with respect to, the applicable loan. Consequently, a SMA assumes the credit risk of both the borrower and the lender that sold the participation. A concentration of participations from any one selling lender may subject a SMA to an additional degree of risk with respect to defaults by such selling lender.

Risks Related to Loans to Parthenon Portfolio Companies and other Related Party Transactions

A SMA may acquire interests in senior secured loans and other debt instruments of portfolio companies in which one or more Funds or SMAs overseen by Parthenon has made or may make an equity or debt investment. In the event that such investments are made by a SMA, the interests of the SMA may be in conflict with the interest of such Funds or other SMAs, particularly in circumstances where the underlying company is facing financial distress. Conflicts may also arise when a SMA makes equity co-investments in an issuer in conjunction with investing in a Loan Transaction with such issuer. The Firm expects to resolve any conflict between a Fund and a SMA fairly and in good faith, but generally will consider the interests of the Funds in priority to the SMA in circumstances in which the Firm provides only non-discretionary investment sourcing services to such SMA. In addition, a conflict may arise in allocating an equity co-investment opportunity if a SMA is permitted to participate in such co-investment opportunity and such potential equity investment also could be made by a Fund or other SMA. Except as provided in a SMA Agreement for a particular SMA, the Firm generally expects to resolve this conflict by allocating the equity co-investment opportunity to the Funds in priority to any SMA. Please see Item 11, "*Conflicts of Interest*" below for a more detailed discussion of potential conflicts of interest pertaining to the investment activities of the Funds.

Balloon and Bullet Transactions

Loan Transactions may involve so-called “balloon and bullet” loans. These loans involve a greater degree of risk than other types of transactions because they are structured to allow for either small (balloon) or no (bullet) principal payments over the term of the loan, requiring the borrower to make a large final payment upon the maturity of the loan. The ability of a portfolio company to make this final payment upon the maturity of the loan typically depends upon their ability either to refinance the loan prior to maturity or to generate sufficient cash flow to repay the loan at maturity. Portfolio companies may have difficulty in repaying or financing their balloon and bullet loans on a timely basis or at all.

Second Liens, Subordinated Debt and Mezzanine Securities

Second lien loans and other subordinated or mezzanine securities are typically junior in right of payment to obligations to a borrower’s senior secured lenders and may have only junior or no rights with respect to collateral. Holders of such securities may have limited ability to enforce their rights to collect principal and interest on these loans or to recover principal through a foreclosure of collateral until the senior loan is paid in full.

Lender Liability Considerations and Equitable Subordination

In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively, “**lender liability**”). Generally, lender liability is founded upon the premise that a lender has violated a duty of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower that creates a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of the loans, the Credit Funds could be subject to allegations of lender liability made against it as part of a group of lenders and may be liable for pro rata liabilities of the agent or lead lender.

In addition, under common law principles that in some cases form the basis of lender liability claims, if a lender (i) intentionally takes an action that results in the undercapitalization of a debtor to the detriment of other creditors of such debtor, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors, or (iv) uses its influence as a stockholder to dominate or control a debtor to the detriment of other creditors of the debtor, a court may elect to subordinate the claim of the offending lender to the claims of the disadvantaged creditors, a remedy called “equitable subordination”. Clients could be subject to claims from creditors of a debtor that loans issued by such debtor should be equitably subordinated. It is possible that lender liability or equitable subordination claims could arise from the actions of the agent or lead lender or other lenders in the lending group without direct involvement by a client.

Insolvency Considerations

Various laws enacted for the protection of creditors may apply to our investments. If a court in a lawsuit brought by an unpaid creditor or representative of creditors of a borrower (such as a trustee in bankruptcy) under a loan were to find that the borrower did not receive fair consideration or reasonably equivalent value for incurring the indebtedness constituting the loan

and, after giving effect to such indebtedness, the borrower (i) was insolvent, (ii) was engaged in a business for which the remaining assets of such borrower constituted unreasonably small capital or (iii) intended to incur or believe that it would incur debts beyond its ability to pay such debts as they mature, such court could determine to invalidate, in whole or in part, such indebtedness as a fraudulent conveyance, to subordinate such indebtedness to existing and/or future creditors of the borrower or to recover amounts previously paid by the borrower in satisfaction of such indebtedness. There can be no assurance as to what standard a court would apply in order to determine whether the borrower was “insolvent” after giving effect to such incurrence. In addition, in the event of an insolvency of a borrower of a loan, payments made on such loan could be subject to avoidance as a “preference” if made within a certain period of time (which may be as long as one year) before insolvency. In general, if payments on an obligation are avoidable, whether as fraudulent conveyances or preferences, such payments can be recaptured, and consequently investors may be required to return amounts previously distributed to them.

Item 9. Disciplinary Information

None.

Item 10. Other Financial Industry Activities and Affiliations

Relying Advisers

The following affiliated investment managers are “relying advisers” which have filed together with Parthenon a single Form ADV:

- PCap Company, LLC
- PCP Managers II, L.P.

Related General Partners

An affiliate of Parthenon acts as the general partner for each Fund. Certain of those general partners have filed for an exemption from registration as commodity pool operators in accordance with CFTC Rule 4.13(a)(3). For a description of material conflicts of interest created by the relationship among Parthenon, the relying advisers and the general partners, 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

Parthenon has adopted a Code of Ethics (“**Code**”) which applies to Parthenon and its affiliates and sets forth standards of business conduct that Parthenon requires of its partners, officers and employees, as well as officers and employees of its affiliates and certain independent contractors (collectively, “**Supervised Persons**”).

The Code is intended to assist Parthenon and its Supervised Persons in complying with the requirements of Rule 204A-1 under the Advisers Act, as well as provisions of the federal securities laws pertaining to insider trading.

The Code contains Procedures and Policy Statement on Insider Trading to inform employees and covered persons of what constitutes material, nonpublic information and the laws and requirements relating to insider trading and confidentiality and the Firm's policies in that area.

The Code also sets forth personal trading policies applicable to employees and certain family members and affiliates that are designed to address actual or potential conflicts of interest (or appearances of conflicts) with the Funds (the "**Policies**").

Employees may not trade for themselves or recommend trading in the securities of a public company while in possession of material, nonpublic information concerning such company, or disclose such information to any person not entitled to receive it. Each employee is required to inform the Firm's Chief Compliance Officer whenever such employee believes that he or she may have obtained material, nonpublic information regarding a public company. In accordance with the Policies, employees are not permitted to effect transactions individually in public companies that are portfolio investments of any of the Funds.

The Policies require all Parthenon employees, as well as employees and associated persons of Parthenon affiliates, to report brokerage transactions to the Chief Compliance Officer. Transactions in certain financial products, including certain mutual fund shares, U.S. government securities, investment grade debt securities, and certain money market instruments may be excluded from such reporting requirements.

The Policies also require that covered persons seek pre-clearance with respect to investments in any private placement or an initial public offering. These limitations and pre-clearance requirements may not apply to transactions in certain investments, including investments in accounts over which the covered person has no direct or indirect control.

A copy of the Code of Ethics will be provided to any client or prospective client upon request.

Participation or Interest in Client Transactions

As described in the responses to Items 5 and 6, Parthenon and the general partner entities are generally entitled to receive Management Fees and Carried Interest from the Funds. The general partners also make capital commitments to such Funds, and Parthenon employees invest in or alongside one or more of the Funds. In addition, Parthenon and its affiliates may receive fees from the Funds' portfolio companies for performing consulting and other services for, or serving as directors (or similar positions) of, such companies. Each of the foregoing may represent a material financial interest in the securities that the Firm recommends to the Funds or a SMA.

Parthenon's ability to receive fees (and related expense reimbursements) from the Funds' portfolio companies for performing consulting and other services for, or serving as directors (or similar positions) of, such companies represents a potential conflict of interest since the Firm generally has substantial control or influence over such companies. This potential conflict of interest is mitigated by the fact that the amount of fees is typically negotiated with the applicable

portfolio company's management team, such fees are typically disclosed to the Funds' advisory boards, and a portion of such fees may offset Management Fees otherwise payable by the Funds to the extent provided in the applicable Funds' Organizational Documents (as described in Item 5 above).

Conflicts of Interest

Parthenon and its related entities engage in a broad range of activities, including investment activities for their own account and for the account of Funds, funds-of-one, co-investment vehicles and SMAs (collectively, "Accounts"). Parthenon provides transaction-related, financial advisory, investment advisory, sourcing, consulting, monitoring, management and other services to one or more Accounts and their respective portfolio companies. Accounts may have the same or similar, overlapping or different investment strategies and objectives as other Accounts. In the ordinary course of conducting its activities, the interests of an Account will, from time to time, conflict with the interests of Parthenon, one or more other Accounts, their respective portfolio companies and each of their respective affiliates. Certain of these conflicts of interest, as well as a description of how Parthenon addresses such conflicts of interest, can be found below. In certain instances, some of such conflicts of interest may be resolved in a manner adverse to an Account and its ability to achieve its investment objectives.

Resolution of Conflicts Involving the Funds

In the case of all conflicts of interest, Parthenon's determination as to which factors are relevant, and the resolution of such conflicts, will be made using Parthenon's best judgment, but in its sole discretion. In resolving conflicts, Parthenon considers various factors, including the interests of the applicable Accounts 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 involving a Fund, the following factors generally mitigate, but will not eliminate, conflicts of interest:

- (1) A Fund will not make an investment unless Parthenon believes that such investment is an appropriate investment considered from the viewpoint of such Fund;
- (2) Many important conflicts of interest generally will be resolved by set procedures, restrictions or other provisions contained in the Organizational Documents for the Funds and/or the Firm's Compliance Policies and Procedures;
- (3) Generally, each Fund has established an advisory board, consisting of representatives of investors not affiliated with Parthenon. The advisory boards meet as required to consult with Parthenon as to certain potential conflicts of interest. On any issue involving actual conflicts of interest, Parthenon will be guided by its good faith discretion;
- (4) Where Parthenon 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

- (5) 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.

Conflicts Encountered by the Funds

The material conflicts of interest encountered by a Fund include those discussed below, although the discussion below does not necessarily describe all of the conflicts that a Fund may face. Other conflicts may be disclosed throughout this brochure and the brochure should be read in its entirety for other conflicts. In addition, potential conflicts of interest may be resolved with the consent of the applicable Fund's advisory board or (in the alternative) a subset of the applicable Fund's investors, without further disclosure to or approval from such Fund's other investors. Please see "*Advisory Board Rights*" below.

Diverse Limited Partner Group. The investors in the Funds may have conflicting interests stemming from differences in investment preferences, investment restrictions, tax status and regulatory status, as well as differences in perspectives on economic and governance terms and other interests with respect to their investments in a Partnership or the Fund as a whole. Conflicts of interest may arise in connection with decisions made by Parthenon, including with respect to the nature or structuring of investments that will be more beneficial for one investor in a Fund or another Fund as a whole than for another investor in the same or another Fund, especially with respect to tax matters. In particular, the interests of investors in one Fund, taken as a group, could differ materially from the interests of investors in another Fund or any Parallel Fund or Feeder Fund, taken as a group. The Organizational Documents of some Funds that are organized as parallel investment vehicles require the consent of at least a majority in interest of the investors in such parallel investment vehicles taken as a group, not merely a majority in interest of a particular vehicle's investors. Conversely, those Organizational Documents may preclude investors, taken as a group, from taking certain actions without the consent of at least a majority in interest of the investors of each of the vehicles that are organized as parallel investment vehicles. There is no assurance that the interests of investors in a Fund will not conflict in connection with any action contemplated by the provisions of such Fund's Organizational Documents. In selecting and structuring investments appropriate for a Fund, Parthenon and its affiliates will not be obligated to consider the investment, tax or other objectives of any particular investor unless expressly agreed to in an agreement with such investor, the terms of which may not be disclosed to other investors. Absent any such agreement, Parthenon and its affiliates will consider the objectives of a Fund and its investors as a whole when making investment decisions with respect to the selection, structuring and sale of such Fund's investments. However, such decisions may be more beneficial for one investor than for another investor. Similar conflicts may arise between the Fund and Other Funds that may invest alongside the Fund in one or more investments stemming from differences in investment preferences, tax status, regulatory status and other differences between the Fund and the Other Fund or their respective investors. See "*Conflicts Related to Purchases and Sales*" below.

Agreements with Certain Investors. Parthenon, a Fund or its general partner may enter into side letters with certain investors in a Fund providing such investors with different or preferential rights or terms, including but not limited to different or preferential information rights, economics, fees and liquidity or transfer rights. Such side letters may also have the effect of

altering or supplementing the terms of a Fund's Organizational Documents and an investor's subscription agreement. The terms contained in a side letter arrangement or similar arrangement with an investor shall govern with respect to such investor notwithstanding the provisions of the Partnership Agreements or the investor's subscription agreement.

Advisory Board Rights. Generally, each Fund has established an advisory board, consisting of representatives of certain investors selected in the sole discretion of the Fund's general partner. A conflict of interest may exist when some, but not all limited partners are permitted to designate a member to the advisory board. Actions of the advisory board may be taken with the requisite approval of the advisory board members as provided in the applicable Fund's Organizational Documents. All actions duly approved by a Fund's advisory board are binding on such Fund, which may include amendments to the Fund's Organizational Documents, including the Organizational Documents of Funds that are organized as parallel investment vehicles.

A Fund's advisory board usually has the ability to approve conflicts of interests with respect to Parthenon and the applicable Fund, which could be disadvantageous to the investors, including those investors who do not designate a member to the advisory board. Similarly, certain approvals may be required from the advisory board of one Fund in order to permit another Fund to engage in certain transactions due to potential conflicts of interest, such as the allocation of an investment opportunity between one Fund and its predecessor or successor Fund. Each Fund's advisory board is only obligated to consider the interests of its Fund (and not the interest of any other Fund). There can be no assurance that a Fund's advisory board will provide any required consents to permit another Fund to participate in an investment or take other action that would benefit such other Fund.

A member of one Fund's advisory board may also be a member of another Fund's advisory board. In such instances, a conflict of interest exists because the Funds on which such overlapping advisory board members serve may have conflicting interests and such advisory board members may be requested to provide their consent with respect to such conflicts of interest and are not required to recuse themselves from any such vote or otherwise disclose their interests in such transactions.

In addition, participation on an advisory board is entirely voluntary, and no assurance can be given that the members of the applicable advisory board will perform the requested functions. In considering matters before the advisory board, the members thereof have no fiduciary obligations to the applicable Fund or its general partner other than to act in good faith and, therefore, members of the advisory board may take into consideration their own interests in a particular matter and are not required to take into consideration the interests of such Fund or any of the other investors in such Fund.

Under the terms of a Fund's Organizational Documents, a Fund's advisory board is only required to be maintained during the term of the Fund, as the initial investment activities generally have ceased and the Fund is in the process of wind-down. Various conflicts of interest may arise during wind-down for which the advisory board's approval (or advance notice) will not be required. The Organizational Documents of the Funds permit the general partner of the Fund to grant any approvals or consents required to be given by or on behalf of the Fund, including any

and all approvals, consents or other disclosures required with respect to transactions that pose an actual or potential conflict of interest.

Fee Structure and Performance Allocations. Because there is a fixed investment period after which capital from investors in the Funds will only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of the Funds, based upon capital invested by the Funds, this fee structure creates an incentive to deploy capital when Parthenon would not otherwise have done so.

Additionally, as discussed above in Item 6, the general partners of many Funds are entitled to Carried Interest under the terms of the Organizational Documents of such Funds. Such general partners are affiliates of Parthenon. The existence of the general partners' Carried Interest creates an 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. Although the general partners' and Parthenon management teams' capital subscriptions to such Funds are intended to reduce this incentive, the general partner's and management team's allocation of profits are not proportionate to their capital subscriptions to such Fund. Pursuant to the Organizational Documents, the general partners of the Funds may be required to return excess amounts of Carried Interest as a "clawback". This clawback obligation creates an incentive for the general partners 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 obligation.

Tax Legislation Adversely Affecting Parthenon's Employees and Other Service Providers. Pursuant to current federal tax laws, gains in respect of a general partner's right to Carried Interest will be subject to a three year "holding period" in order to be classified as "long term capital gains," while the corresponding holding period requirement with respect to the Fund's investors is one year. This new holding period requirement could affect investment decisions, including the timing and structure of dispositions, and could adversely impact returns for investors.

Formation of New Partnerships. Parthenon has in the past and may in the future establish certain investment vehicles through which certain current or former employees of Parthenon or its affiliates, certain business associates, service providers, other "friends" of Parthenon, or other persons may invest alongside one or more Funds in one or more investment opportunities. Some of these vehicles, referred to herein as "Friends Funds," generally are required, as a condition of investment, to purchase and sell each investment opportunity at substantially the same time and substantially the same terms as the applicable Fund that is invested in that investment opportunity, subject to the availability of capital. The Friends Funds generally do not pay Management Fees or Carried Interest. Co-investment vehicles for certain investors (including investors who may not be investors in any of the Funds) also may be established for purposes of investing in an investment opportunity alongside a Fund. Investors in co-investment vehicles generally do not pay Management Fees or Carried Interest. The relationship between the Friends Funds or a co-investment vehicle for certain investors, on the one hand, and another Fund, on the other hand, may present conflicts of interest, such as conflicts arising out of decisions relating to future follow-on investments, the timing of an exit, transfers to unrelated parties, and votes on actions presented to the shareholders of the relevant portfolio company. Parthenon anticipates

that such conflicts should be mitigated by the fact that Parthenon's decisions pertaining to an investment on behalf of a Fund generally will apply equally to the Friends Fund's or co-investment vehicle's interest in the same investment (subject to the availability of capital).

Parthenon also may establish Funds or SMAs that have investment strategies similar to, different from, overlapping or competitive with any other Fund or SMA, including Funds or SMAs that invest at different levels of the capital structure than a particular Fund or SMA. There can be no assurance that the creation of such additional Funds or SMAs will not give rise to conflicts of interest between the limited partners of the respective Funds and SMAs. The relationship between a Fund or SMA and one or more other Funds or SMAs may present conflicts of interest, including conflicts of interest that may arise in cases where a Fund or SMA provides debt financing to one or more portfolio companies of another Fund or SMA or co-invests with another Fund or SMA in connection with the structuring of a transaction, Funds or SMAs that invest in other tiers of the capital structure or make subsequent loans to a portfolio company of a Fund or SMA, with respect to the allocation of investment opportunities between a Fund or SMA and one or more other Funds or SMAs, the capitalization of a portfolio company and the economic and other terms of mezzanine and equity securities (such as interest rates to be paid on mezzanine securities and the nature of covenants running in favor of the mezzanine lenders). Operations under the terms and provisions of financing documentation and troubled situations involving a portfolio company may also present conflicts of interest. Parthenon will determine such matters, using its best judgment but in its sole discretion, considering the interests of each Fund or SMA managed by Parthenon, taken as a whole.

Allocation of Personnel. Firm personnel actively manage existing Funds and may in the future establish and manage other Funds. Accordingly, Parthenon will devote a portion of its resources, including a portion of the business time of its investment professionals and its other employees, to such activities as well as new investment strategies and other endeavors of the Firm. Conflicts of interest may arise in allocating time, services or functions of these investment professionals and employees.

Allocation of Investment Opportunities Among Funds with Similar Investment Strategies. Due to the sequential nature in which the Funds having substantially similar investment strategies are typically formed and each Fund's limited investment period, Parthenon frequently only pursues new investment opportunities for a single Fund¹ at any one time. However, Parthenon serves and in the future will serve as the investment manager to certain other entities, including other Funds having investment strategies similar to, or that may overlap with the investment strategy of another Fund, or have specific investment target objectives consistent with an another Fund's investment target objectives, and the investment periods of such other Funds may be similar to or overlap with another Fund's investment period or are otherwise permitted to invest alongside other Funds, often due in part to the date on which a Fund was established or the specific terms

¹ For purposes of allocating investment opportunities, a "Fund" refers to a private investment fund for which the Firm provides discretionary investment advisory services, including its parallel funds, "friends funds," and certain related co-investment funds and separate accounts, each having a substantially similar investment strategy and formed to invest primarily alongside the respective private investment fund. If a Friends Fund is formed to invest alongside a Fund, investments will be allocated ratably between such Fund and Friends Fund based on relative capital subscriptions (subject to available capital), and the Friends Funds will invest on substantially the same terms and conditions of such Fund.

of an investment period of a Fund (or modification of such period), as negotiated with the investors in such Fund. As such, there may be instances in which Parthenon must determine how to allocate investment opportunities among the Funds and other persons, which may include:

- One or more Funds (and their related investment vehicles)
- Parthenon Investors or other Third Parties that wish to make direct investments (i.e., not through a Fund) alongside the Fund in particular transactions entered into by the Fund, and
- Parthenon Investors or other Third Parties acting as “co-sponsors” with Parthenon with respect to a particular transaction.

These other investors may, in Parthenon’s sole discretion, share investments with a Fund either pro rata based on target acquisition size (generally based on available or committed capital or a previously determined percentage) or in such other amounts or percentages as Parthenon determines to be in the best interests of such Fund and such other investors to the extent they are clients of the Firm, or may make investments that Parthenon determines in its sole discretion are not suitable for the Fund in light of the Fund’s investment objectives, overall portfolio construction policies or other relevant factors as Parthenon determines in good faith and consistent with Parthenon’s investment allocation policies. Subject to the Organizational Documents of the applicable Funds, Parthenon has complete discretion to select the factors it will consider when allocating investment opportunities among the Funds and other investors. As such, certain conflicts could arise in the allocation of investment opportunities and in connection with the acquisition and/or disposition of investments by one or more Funds and other Third Parties.

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

The Funds are generally subject to investment allocation requirements (collectively, “Investment Allocation Requirements”), which will also apply directly or indirectly to certain co-investment vehicles with investments tied to the respective Funds. Investment Allocation Requirements may also include how an investment will be shared between one Fund and a predecessor or successor Fund or separate account. Investment Allocation Requirements are generally set forth in the Fund’s Organizational Documents. To the extent a Fund and another Fund co-invest in the same investment opportunity, Parthenon will seek to ensure that all participants in such co-investments participate on comparable terms to the extent required by a Fund’s Organizational Documents.

To the extent the Investment Allocation Requirements of a Fund do not include specific allocation procedures and/or allow Parthenon discretion in making allocation decisions among the Funds, Parthenon will follow the process set forth below.

Parthenon must first determine which Funds will participate in an investment opportunity. Parthenon assesses whether an investment opportunity is appropriate for a particular Fund(s), based on the Fund’s investment objectives, strategies and structure. A Fund’s investment objectives, strategies and structure typically are reflected in the Fund’s Organizational

Documents. Generally, investment opportunities in private equity investments in middle market companies will be allocated only to the Funds having an investment strategy that is primarily focused on such equity investments whereas investment opportunities in bank loans, participations or assignments, mezzanine and other similar debt, debt-like or related equity instruments will be allocated only to the Funds having an investment strategy that is primarily focused on such credit-oriented investments.

Prior to making any allocation to a Fund of an investment opportunity, Parthenon determines what additional factors may restrict or limit the offering of an investment opportunity to the Fund(s). Possible restrictions include, but are not limited to:

- **Obligation to Offer:** Parthenon may be required to offer an investment opportunity to one or more Funds. This obligation to offer investment opportunities will generally be set forth in a Fund's Organizational Documents.
- **Related Investments:** Parthenon may offer an investment opportunity related to an investment previously made by a Fund(s) to such Fund(s) to the exclusion of, or resulting in a limited offering to, other Funds.
- **Legal and Regulatory Exclusions:** Parthenon may determine that certain Funds or investors in such Funds should be excluded from an allocation due to specific legal, regulatory and contractual restrictions placed on the participation of such persons in certain types of investment opportunities.

Once the Funds that will participate in a particular investment have been identified, Parthenon, in its discretion, decides how to allocate such investment opportunity among the identified Funds. In allocating such investment opportunity, Parthenon may consider some or all of a wide range of factors, which include, but are not necessarily limited to, one or more of the following:

- Each Fund's investment objectives and investment focus;
- Transaction sourcing;
- Each Fund's liquidity and reserves;
- Each Fund's diversification (including potential exposure of a Fund to the type of investment opportunity in terms of its existing portfolio);
- Lender covenants and other limitations;
- Amount of capital available for investment by each Fund as well as each Fund's projected future capacity for investment;
- Each Fund's targeted rate of return;
- Stage of development of the prospective portfolio company or other investment and anticipated holding period of the portfolio company;
- Composition of each Fund's portfolio;
- The suitability as a follow-on investment for a current portfolio company of a Fund;

- The availability of other suitable investments for each Fund;
- Risk considerations;
- Cash flow considerations;
- Asset class restrictions;
- The seniority of an investment and other capital structuring criteria;
- Industry and other allocation targets;
- Minimum and maximum investment size requirements;
- Tax implications;
- Whether an investment opportunity requires additional consents or authorizations from a Fund, its investors or other Third Parties;
- Legal, contractual or regulatory constraints; and
- Any other relevant limitations imposed by or conditions set forth in the Organizational Documents of each Fund.

Parthenon will not allocate investment opportunities based, in whole or in part, on (i) the relative fee structure or amount of fees paid by any Fund or (ii) the profitability of any Fund. Nonetheless, the application of the Investment Allocation Requirements and factors set forth above and other allocation policies in the Organizational Documents of a Fund will often result in allocations to investments on a non-pro rata basis and there can be no assurance that a Fund will participate in all investment opportunities that fall within its investment objectives.

Parthenon and its affiliates, partners, chief investment officer and other personnel invest indirectly in and may be permitted to invest directly in Funds and may therefore participate indirectly in investments made by the Funds in which they invest. Such interests will vary. The existence of these varying circumstances presents conflicts of interest in determining how much, if any, of certain investment opportunities to offer to a Fund. In addition, Parthenon and its affiliates, partners, and other personnel may carry on investment activities for their own accounts and for family members, friends or others who do not invest in the Funds, and may give advice and recommend securities to other accounts or investment vehicles that may differ from advice given to, or securities recommended or bought for, a Fund. Parthenon generally requires that any such outside investment activities of its affiliates, partners, chief investment officer and other personnel not compete with the Funds; it being understood that this requirement does not apply to the investment activities of any entity in which such personnel or their affiliates hold passive investments and are not advised by or under common control with Parthenon.

Conflicts also may arise in allocating an investment opportunity if one Fund could make an equity investment in a potential investment target and another Fund likewise could lend money or otherwise purchase the debt securities of such potential investment target. The Firm expects that all investment opportunities will be considered potential acquisition targets for its current and future private equity-focused Funds in the first instance and secondly for clients that are potential borrowers to such targets.

Conflicts with Co-Sponsors and Other Third Parties. The Funds, from time to time, may co-invest with other private equity, venture capital or other financial sponsors or other Third-Parties through partnerships, joint ventures or other similar entities or arrangements. These arrangements may give rise to conflicts that would not otherwise be present in investments where a co-sponsor is not involved. Such risks include, the possibility that the Third Party may have differing economic or business goals than those of the Funds, or that the Third Party may be in a position to take actions that are inconsistent with the investment objectives of the Funds, particularly where the third party has majority control of the underlying portfolio company. The Funds may own only a minority interest in an investment or otherwise lack sufficient control or influence over the decisions of the Third Parties with respect to such investments. There may also be instances where the Fund will be liable for the actions of such third-party co-investors. There can be no assurance that such conflicts will be resolved to the satisfaction of the participating Funds. There can be no assurance that the return of the 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.

Allocation of Co-Investment Opportunities. Parthenon will determine if the amount of an investment opportunity exceeds the amount it determines would be appropriate for the Funds (after taking into account any portion of the opportunity allocated by contract to certain participants in the applicable deal, such as co-sponsors, consultants and advisers to Parthenon and/or the Funds or management teams of the applicable portfolio company, strategic investors and other investors whose allocation is determined by Parthenon to be in the best interest of the applicable Fund), and any such excess may be offered to one or more co-investors as described in the following paragraphs. In circumstances where an entire investment opportunity could be made by one or more Funds, Parthenon may still elect to allocate a portion of such investment opportunity to co-investors if Parthenon believes in its good faith judgement that the full investment opportunity would unreasonably limit the overall portfolio diversification of the applicable Fund or its ability to make follow-on investments, in order to comply with commitments to offer co-investment opportunities, or that Parthenon believes that participation by one or more co-investors could add value to the Fund or the particular investment. Investments that are structured in whole or in part through alternative investment vehicles for the purpose of facilitating an investor's or a Fund's participation in such investments shall not constitute co-investment.

Subject to any Investment Allocation Requirements, in general, (i) no investor in a Fund has a right to participate in any co-investment opportunity and investing in a Fund by itself does not give an investor any rights, entitlements or priority to co-investment opportunities, (ii) decisions regarding whether and to whom to offer co-investment opportunities, as well as the applicable terms on which a co-investment is made, are made in the sole discretion of Parthenon or its related persons or other participants in the applicable transactions, such as co-sponsors, (iii) co-investment opportunities typically will be offered to some and not other investors in the Funds, in the sole discretion of Parthenon or its related persons, and investors may be offered a smaller amount of co-investment opportunities than originally requested, (iv) certain persons other than investors in the Funds (e.g., portfolio company management, lenders, strategic partners, consultants, joint venture partners, persons associated with a portfolio company and other Third Parties), will be offered, from time to time, co-investment opportunities, in the sole discretion of

Parthenon or its related persons, including, without limitation, entities that may be affiliated with, related to or otherwise have an advisory or other business relationship with one or more investors in a Fund, and (v) co-investors typically purchase their interests in a portfolio company at the same time as the Funds or, on occasion, may purchase their interests 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). Parthenon may also permit a co-investor to assign a co-investment opportunity to one or more affiliates of such co-investor, including affiliates that are not investors in the Fund or any other Fund. Additionally, non-binding acknowledgements of interest in co-investment opportunities are not part of Parthenon's allocation policies and do not require Parthenon to notify the recipients of such acknowledgements if there is a co-investment opportunity.

If Parthenon makes a commitment to give co-investment rights to any investor or other Third Party to invest alongside a Fund, such commitment(s) will be disclosed to the investors of such Fund, typically following the closing of such investment.

In addition, in exercising its discretion to allocate co-investment opportunities with respect to a particular investment among the potential co-investors, Parthenon may 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 of the potential co-investment opportunity;
- The character and nature of the co-investment opportunity (including the transaction structure, geographic location, tax characteristics and relevant industry);
- A potential co-investment party's expression of interest or right to co-invest granted by such party's side letter with a Fund, other third-party agreement or otherwise;
- Parthenon's desire to limit or minimize the number of potential co-investors approached on any investment opportunity in order to reduce: (a) the administrative burdens imposed on Parthenon or the potential co-investment opportunity as a result of participation by multiple co-investors, (b) the amount of additional due diligence burden on the investment opportunity, and (c) the risk of any delay in timing caused by the inclusion of multiple co-investors;
- Parthenon's evaluation of the size and financial resources of the potential co-investment party and Parthenon's perception of the ability of that potential co-investment party (in terms of, for example, staffing, expertise and other resources) to efficiently and expeditiously participate in the investment opportunity with the relevant Fund(s) without harming or otherwise prejudicing the Funds(s), in particular when the investment opportunity is time-sensitive in nature, as is typically the case (including a potential co-investment party's particular tax structuring requirements or contractual obligations by Parthenon that would not be required otherwise);
- Parthenon's perception of the potential co-investment party's ability and willingness to cooperatively assist with internal decisions at the portfolio company level, including with respect to participation in follow-on investments in the same terms as the Funds;

- Any confidentiality concerns Parthenon has that may arise in connection with providing the potential co-investment party with specific information relating to the investment opportunity in order to permit such potential co-investment party to evaluate the investment opportunity;
- Parthenon's perception of its past experiences and relationships with the potential co-investment party, such as the willingness or ability of the potential co-investment party to respond promptly and/or affirmatively to potential investment opportunities previously offered by Parthenon, the expected amount of negotiations required in connection with a potential co-investment party's commitment, and whether the co-investment party has demonstrated a long-term commitment to the potential success of the current or future Funds and/or Parthenon;
- Parthenon's perception of whether the investment opportunity may subject the potential co-investment party to legal, regulatory, competitive, confidentiality, reporting, public relations, media or other burdens that make it less likely that the potential co-investment party would act upon the investment opportunity if offered;
- Parthenon's evaluation of whether the profile or characteristics of the potential co-investment party may have an impact on the viability or terms of the proposed investment opportunity and the ability of the Funds to take advantage of such opportunity (for example, if the potential co-investment party is involved in the same industry as a target company in which a Fund wishes to invest, such co-investment party's existing investment in a competitor of the target company, or if the identity of the potential co-investment party, or the jurisdiction in which the potential co-investment party is based, may affect the likelihood of a Fund being able to capitalize on a potential investment opportunity); and
- Whether Parthenon believes, in its sole discretion, that allocating investment opportunities to a potential co-investment party will help establish, recognize, strengthen and/or cultivate relationships that may provide indirectly longer-term benefits (including strategic, sourcing or similar benefits) to the Funds or future Funds and/or Parthenon.

Section 206(3) of the Investment Advisers Act would restrict a post-closing sell down or transfer of an investment from one Fund to another Fund or other advisory client constituting a principal account absent appropriate disclosure and consent by the participating parties. A Fund or other advisory client may be deemed to be a principal account for purposes of Section 206(3) if the investment adviser and/or its controlling persons, in the aggregate, own more than 25% of the interests of the Fund or other advisory client (such as a sell down by a Fund to an employee co-investment fund owned primarily by the controlling persons of Parthenon). It is Parthenon's policy that the terms of any sell down or transfer shall not favor one Fund to the detriment of another Fund or other advisory client participating in the transaction, and shall not favor Parthenon to the detriment of any Fund or other advisory client, in each case, unless the material terms of such transaction and any associated conflicts of interest are adequately disclosed to the parties participating in the transaction, including the capacity in which Parthenon is acting in connection with such transaction, and such parties expressly consent to such conflicts before the sell down or transfer is consummated.

The factors above are not listed in order of importance or priority and Parthenon is not required to, and does not, consider all of the factors described above in any particular investment and some factors may be more or less important depending upon the nature of the particular investment and attendant circumstances. Parthenon's exercise of its discretion in allocating investment opportunities with respect to a particular investment among the persons, including the Funds, potential co-investors, Parthenon investors and Third Parties, and in the manner discussed above often will not, result in proportional allocations among such persons, and such allocations often will be more or less advantageous to some such persons relative to other such persons. For example, Parthenon may be incentivized to offer a co-investment opportunity to certain persons over others based on its economic arrangement with such persons. While Parthenon 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 Parthenon is subject, discussed herein, did not exist.

The Firm's Investment Committee is responsible for monitoring the allocation of co-investment opportunities. If Parthenon determines to offer an investment opportunity to co-investors, there can be no assurance that Parthenon will be successful in offering a co-investment opportunity to a potential co-investor, in whole or in part, that the closing of such co-investment will be consummated in a timely manner, if at all, that the co-investment will take place on the terms and conditions that will be preferable for such Fund or that expenses incurred by such Fund with respect to the syndication of the co-investment will not be substantial. If Parthenon is not successful in offering a co-investment opportunity to potential co-investors, in whole or in part, the Funds otherwise participating in such investment may consequently hold a greater concentration and have exposure in the related investment opportunity greater than was initially intended, which could make the participating Funds more susceptible to fluctuations in value resulting from adverse economic and/or business conditions with respect to such investment. Further, it is possible that a potential co-investment party may experience financial, legal or regulatory difficulties and may have, from time to time, economic, tax, regulatory, contractual or other business interests or goals that are inconsistent with those of the Fund and as a result, may take a different view from Parthenon as to the appropriate strategy for an investment or may be in a position to take a contrary action to the Fund's investment objective.

From time to time in connection with the acquisition of a portfolio company, a Fund may enter into equity commitment arrangements and limited guarantees in which the Fund (on behalf of itself and co-investors) agrees that subject to the satisfaction of all closing conditions for the transaction, it will fund sufficient proceeds to complete the transaction, or agree to pay a percentage of the total value of the transaction as a "reverse termination fee" to the seller. Similarly, a Fund and its co-investors may be subject to commitments to make follow-on investments in portfolio companies or provide guarantees of portfolio company indebtedness. A conflict of interest arises as between the Fund and any co-investor because the Fund will be responsible for the entire amount of any of the foregoing obligations in the event the co-investor does not agree to bear its share of such amounts, defaults or otherwise fails to fund its commitment.

Parthenon and its affiliates may receive Portfolio Operations Fees, Monitoring Fees, and Directors Fees from portfolio companies in which one or more co-investors may participate, as well as Break-up Fees from unconsummated transactions. Generally, the Organizational Documents of the applicable Funds require that a pro rata share (determined according to the amount of capital invested or proposed to be invested by each such Fund in such transaction or prospective transaction) of any such fees received by Parthenon or its affiliates be applied as an offset to the Management Fee, if any, owed by such Funds. Such offset terms do not apply to Funds that do not pay a Management Fee and co-investors. Parthenon generally does not expect to allocate any portion of such fees to such Funds or co-investors in connection with or as a result of their participation as a co-investor, including with respect to Break-Up Fees received from unconsummated transactions (except to the extent a participating Fund or co-investor has agreed to bear its pro rata share of transaction related expenses). However, Parthenon reserves the right to share a portion of such fees that it is entitled to retain with one or more co-investors participating in the transaction or proposed transaction, and any such amounts allocated to a co-investor shall not be offset against the Management Fees owed by any Fund. Similarly, any Break-up Fee paid to a portfolio company in connection with an unconsummated transaction is for the benefit of the portfolio company and will not be offset against the Management Fees owed by an Fund invested in such portfolio company.

Allocations of Secondary Transactions. Investors in the Funds from time to time request the approval of the general partner to transfer the investor's limited partnership or other interest in a Fund to a third party (such as an affiliate of an investor, another existing investor in a Fund or other third parties). While it is Parthenon's expectation that investors will remain invested in a Fund for its duration, circumstances may arise that may necessitate or otherwise warrant a transfer of an interest. It is Parthenon's policy not to promote, engage in or otherwise facilitate transactions involving, directly or indirectly, transfers of interests or derivatives thereof, except to consider and review transfer requests from investors in accordance with the Fund's offering and/or Organizational Documents. Subject to the foregoing, if asked to identify potential purchasers in a secondary transfer, Parthenon may do so in its sole discretion, generally taking into account one or more of the following factors:

- Parthenon's evaluation of the financial resources of the potential purchaser, including its ability to meet capital contribution obligations and to make capital subscriptions to future Funds;
- Parthenon's perception of its past experiences and relationships with the potential purchaser, including its belief that the potential purchaser would help establish, recognize, strengthen and/or cultivate relationships that may provide indirectly longer-term benefits to current or future Funds and/or the Firm;
- Whether the potential purchaser would subject Parthenon, the Fund, or their affiliates to legal, regulatory, reporting, public relations, media or other burdens;
- A prospective purchaser's potential investment into another investment opportunity (including any commitment to a future Fund or co-investment opportunity)
- Requirements in such Fund's Organizational Documents; and

- Such other facts as it deems appropriate under the circumstances in exercising such discretion.

A purchaser's potential investment into a Fund (including any commitment to a future Fund or co-investment opportunity) may be considered, but will not be the sole determining factor considered by Parthenon in determining whether to grant its consent to a secondary transfer of an interest. The identification of one or more potential purchasers for an interest does not constitute Parthenon's consent to any secondary transfer, and all secondary transfers shall be subject to the completion of documentation evidencing the transfer in a form that is acceptable to Parthenon.

Allocation of Fund Expenses and Dead Deal Costs. Generally, expenses attributable to non-investment activities of a Fund (e.g., costs relating to the organization of the Fund (and its parallel investment vehicles), syndication costs, periodic reporting, insurance, indemnification costs, annual meetings, amendments, advisory board consents, etc.) will be borne by the applicable Fund (and its parallel investment vehicles) on a pro rata basis according to their respective capital subscriptions. However, expenses specifically attributable to the maintenance or administration of a particular investment vehicle generally will be borne by the investors in such entity, unless Parthenon determines in its sole discretion that an alternative allocation of such expenses among such investment vehicles is fair and reasonable under the circumstances. Similarly, non-investment related expenses attributable to multiple Funds, generally will be borne by all such Funds pro rata according to the aggregate cost basis of their respective remaining investment portfolios, unless the Firm reasonably determines that an expense should be borne by a particular Fund. Research conducted by Parthenon from time to time generally enhances Parthenon's general understanding and knowledge of industries in which the Funds invest, financial and other markets, portfolio company competitors and their business models and products, as well as comparable transactions used to facilitate the valuation of existing and prospective investments, all of which potentially benefits various portfolio companies over time and therefore indirectly benefits more than one Fund over time. Research expenses generally are allocated to the Funds managed by Parthenon at the time such expenses are incurred, but generally such expenses are not allocated to co-investment vehicles, including any Friends Funds.

Expenses relating in any way to an investment consummated by more than one Fund and not borne by the underlying portfolio company (e.g., due diligence costs, research expenses, transaction-related travel, legal, accounting and other transaction-related fees and expenses), generally will be allocated among such Funds participating in such Portfolio Investment pro rata according to each entity's respective capital contributions to such investment. Taxes (including withheld amounts) incurred by a Fund that are not directly attributable to an investor in such Fund generally will be borne by such Fund, unless the applicable general partner determines in its sole discretion that an alternative allocation is fair and reasonable under the circumstances. Similar expenses and costs incurred by alternative investment vehicles formed to accommodate participation in an investment by only certain investors generally will be borne by those investors. However, fees and expenses of an alternative investment vehicle in which all of a Fund's investors participate (directly or indirectly) generally will be borne by the Fund. Investors in Feeder Funds will indirectly bear all such expenses in their capacity as indirect investors in the underlying Fund, as applicable, as well as the fees and expenses directly attributable to the

Feeder Fund. The portion of expenses allocated to a Fund may not reflect the relative benefit derived by such Fund from such expense in any particular instance.

Fees and expenses incurred in the course of evaluating and making investments that are not consummated, such as out-of-pocket fees associated with due diligence, attorney fees and the fees of other professionals, will be allocated among the Funds that invest on a parallel basis, pro rata according to their respective intended capital contributions for such investments, but not to other Funds, co-investors and other Third Parties unless such other Funds, co-investors or Third Parties have agreed to bear their proportionate share of such expenses. Parthenon may cause a Fund to pay or advance an expense common to multiple Funds, co-investors and other Third Parties (the “**Allocated Funds**”) (e.g., legal expenses for a transaction in which all such funds participate), so long as each Allocated Fund reimburses the paying Fund for its share of such expense, without interest, promptly after the payment is made by the paying Fund. A Fund may have similar reimbursement obligations to other Funds that pay or advance an expense common to them. Please also see “*Liability Insurance*” below for a discussion of the allocation of certain insurance costs.

Conflicts Related to Purchases and Sales. Conflicts may arise when a Fund makes investments in conjunction with an investment being made by other Funds or in a transaction where another Fund or SMA has already made an investment. A particular investment may be bought or sold for a Fund in different amounts and at different times for another Fund, even if it could have been bought or sold at the same time. Likewise, a particular investment may be bought for one Fund when another Fund is selling all or a portion of its interest in the same investment (or vice versa). Parthenon also may cause a Fund to sell down an investment while other Funds hold or increase their investment in the same portfolio company (or vice versa). Conflicts may also arise when a Fund or SMA makes equity co-investments in an issuer in conjunction with purchasing a participation in one or more loans to such issuer in which another Fund holds an investment.

Investment opportunities may be appropriate for Funds and/or SMAs at the same or similar, different or overlapping levels of a portfolio company’s capital structure. Conflicts may arise in determining the terms of investments, particularly where clients may invest in different or overlapping types of securities in a single portfolio company. Investments by one Fund in a portfolio company held by other Funds may raise the risk of using assets of the investing Fund to support the previous positions taken by such other Funds. Questions may arise as to whether payment obligations and covenants should be enforced, modified or waived, whether debt should be refinanced, whether to fund follow-on investments or otherwise recapitalize the portfolio company. 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, particularly in the case where Funds have invested in different securities within the same portfolio company. If one Fund has control or a controlling influence over the management and operations of a portfolio company, such management and operational decisions may be in direct conflict with the interests of other Funds that have invested in the same portfolio company that do not have a similar level of control or influence over the same portfolio company. Certain Funds and SMAs may invest in bank debt and securities of companies in which other Funds hold securities, including equity securities. In the event that such investments are made by a Fund, the interests of such Fund may be in conflict with the interest of such other

Fund or SMA, particularly in circumstances where the underlying company is facing financial distress. The involvement of Parthenon personnel at both the equity and debt levels could inhibit strategic information exchanges among fellow creditors or within Parthenon, which could have an adverse effect on the investment decisions made on behalf of a Fund. In certain circumstances, the Funds may be prohibited from exercising voting or other rights, and may be subject to claims by creditors with respect to the subordination of their interest. In addition, a conflict may arise in allocating an investment opportunity if the potential investment target could be acquired by a Fund or a portfolio company of such Fund or of another Fund. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, a Fund or other clients may or may not provide such additional capital and if provided, such Fund or other clients will supply additional capital in such amounts, if any, as determined by Parthenon. The decision by Parthenon on behalf of one Fund not to provide additional capital to a portfolio company of another Fund could adversely affect such other Fund's existing investment in that portfolio company. Investments by a Fund, on the one hand, and another Fund, on the other hand, in a portfolio company may also raise the risk of using assets of a Fund to support positions taken by another Fund. For example, a Fund may remain passive in a situation in which it is entitled to vote if such vote adversely affects the interests of other Funds, even if doing so would adversely affect the passive Fund. Parthenon may also express inconsistent or contrary views of commonly held investments or of market conditions more generally. In addition, there may be differences in timing of entry into, or exit from, a portfolio company for reasons such as differences in strategy, existing portfolio or liquidity needs. These variations in timing may adversely affect the ultimate returns to a Fund from such investment. The application of a Fund's Organizational Documents and Parthenon's policies and procedures are expected to vary based on the particular facts and circumstances surrounding each investment by two or more Funds in different classes of an issuer's capital structure and, as such, there may be a degree of variation and potential inconsistencies, in the manner in which potential or actual conflicts are addressed. Employees and related persons of Parthenon and its affiliates have made or may make capital investments in or alongside certain Funds, and therefore may have additional conflicting interests in connection with these investments.

A Fund may invest in opportunities that other Funds have declined, and likewise, a Fund may decline to invest in opportunities in which other Funds have invested. Parthenon may consider and reject an investment opportunity on behalf of a Fund and may subsequently determine to have another Fund make an investment in the same company. A conflict of interest arises because the investing Fund will, in such circumstances, benefit from the initial evaluation, investigation and due diligence undertaken by Parthenon on behalf of the Fund that originally considered the investment. In such circumstances, the benefiting Fund is not be required to reimburse the originating Fund for expenses incurred in connection with researching such investment.

From time to time Parthenon may, in its discretion, enter into transactions with investors in one or more Funds to dispose of all or a portion of investments held by one or more Funds. Parthenon will select the purchaser(s) of such investments in its sole discretion. The sales price for such transactions will be mutually agreed to by Parthenon and such purchaser(s); however, determinations of sales prices involve a significant degree of judgment by Parthenon. Although Parthenon is not obligated to solicit competitive bids for such sales transactions or to seek the

highest available price, it will first determine that such transaction is in the best interests of the selling Fund(s), taking into account the sales price and the other terms and conditions of the transaction. There can be no assurance, in light of the performance of the investment following such transaction, that such transaction will ultimately prove to be the most profitable or advantageous course of action for the applicable Fund(s).

Cross Transactions. In certain cases, Parthenon may cause a Fund to purchase investments from another Fund, or it may cause a Fund to sell investments to another Fund. Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, the selling Fund may not receive the best price otherwise possible, or Parthenon 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, Parthenon, its affiliates 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). Parthenon and its affiliates may receive management or other fees in connection with their management of the relevant Funds involved in such a transaction and may also be entitled to share in the investment profits of the relevant Funds, as well as receive transaction fees from the underlying portfolio companies involved in such transactions.

To address conflicts arising from such purchases and sales, a Fund's Organizational Documents may require certain approval from such Fund's advisory board of certain transactions in which the Fund invests in an existing portfolio company of another Fund or sells an investment to another Fund. Receipt of any such approval shall satisfy Parthenon's good faith requirement, and any other applicable duty to such Fund and its investors.

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 to the transaction. In connection with Parthenon's management of the Funds, Parthenon and its affiliates may engage in principal transactions, although Parthenon does not anticipate entering into any such principal transactions where Parthenon or any of its affiliates purchases or sells any security for its own accounts from or to the accounts of the Funds. In the event that Parthenon or any of its affiliates do engage in a principal transaction, any required approvals, including that of a Fund's advisory board, will be obtained in accordance with the terms of such Fund's Organizational Documents and such transaction will be undertaken in compliance with Section 206(3) under the Advisers Act. Receipt of any such approval (including, if permitted by a Fund's Organizational Documents, approval by the general partner) shall satisfy Parthenon's good faith requirement, and any other applicable duty to such Fund and its investors.

Follow-on Investments. Follow-on investments, including releveraging and recapitalization

transactions involving portfolio companies 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 or the Firm is investing or has previously invested. 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, 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, and if fees are paid to Parthenon in connection with the transaction.

Duties to Portfolio Companies. Officers and employees of the Firm may serve as directors of, observers on boards with respect to, or officers for certain of the Funds' portfolio companies and, in that capacity, will be required to make decisions that consider the best interest of such companies and their respective shareholders. In addition, if an employee serves as a director on the board of more than one portfolio company, such employees' fiduciary duties among the two portfolio companies may create a conflict of interest. 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 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 Firm and such individual's duties as a director or officer of the portfolio company.

Decisions made by a director or officer designee of Parthenon may subject Parthenon, its affiliates 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. In addition, Parthenon and its affiliates and employees may receive Director Fees for serving on boards of directors of portfolio companies in which one or more Funds, separate accounts, and/or co-investors may hold an investment. Recipients of such fees in the form of options or other securities received may determine to exercise or sell such securities or to hold the securities for such time as such recipient, or the Firm, shall determine. The ability of such recipients or the Firm to act in their or its own interests with respect to such Director fees creates a potential conflict of interest between the Firm, as an adviser to the applicable Funds, on the one hand, and such Funds, on the other.

Access to Inside Information. As a result of participation by representatives of the Firm on boards of certain companies, and/or as a result of confidentiality agreements or non-disclosure agreements entered into by the Firm, the Fund may acquire confidential or material, non-public information or may become subject to non-solicitation, standstill or non-compete arrangements as a condition to receipt of such non-public information. The Fund will not be free to act upon any such information, which may serve to restrict the Fund in its investment activities. Due to these restrictions, the Fund 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) duties and obligations of the Firm and its representatives to the companies on whose boards these representatives participate and (ii) the 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 Firm's reputation, result in the imposition of regulatory or financial sanctions, and as a consequence, negatively impact the Firm's ability to perform its investment management services on behalf of the Fund. The Firm maintains a code of ethics that limits its employees' ability to engage in personal trading and allows the Firm to monitor for such activity.

Conversely, as a result of participation by representatives of the Firm on boards of certain companies and more generally in connection with the Firm's investment advisory services on behalf of one or more Funds, the Firm's representatives will have access to proprietary and other confidential information of such Fund's portfolio companies, including information that enhances the representative's general understanding of the industries, markets and industry practices and trends, as well as specific portfolio company information, such as business practices, strategic initiatives, acquisition strategies, customer, supplier and competitor lists, and financial and other metrics (collectively, "**Know-How**"). Parthenon personnel may rely on such Know-How and past experience in connection with their services to other portfolio companies, including portfolio companies of other Funds that are existing or potential competitors of the Fund's portfolio companies, or in connection with developing investment strategies or theses that will benefit future Funds. The use of such Know-How for the benefit of other portfolio companies or other Funds creates various conflicts of interest, including that the disclosing portfolio company will not be entitled to any compensation for the Firm's use of such Know-How.

Conflicts Relating to Activities of SMAs

The Firm may encounter some of the conflicts of interest described above in connection with rendering services to SMAs. A SMA's investment strategy may be similar to, different from, overlap with, or compete with the investment strategies of the Funds or another SMA. Conflicts may arise when a Fund holds an equity investment in a portfolio company and a SMA has entered into a Loan Transaction with that portfolio company. See "*Conflicts Relating to Purchases and Sales*" above. For example, if a SMA purchases in the secondary market at a discount debt securities of a company in which a Fund has, for example, a substantial equity interest, (a) a court might require either the SMA or the 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 (b) either the SMA or the 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.

Conflicts may also arise in connection with the allocation of investment opportunities in portfolio companies that may be suitable for the Funds to make an equity investment and an SMA that provides debt financing. The Firm expects that prospective suitable investment opportunities initially will be evaluated for an investment by the Funds in priority to the SMA. If the investment opportunity is allocated to a Fund, then the Firm will determine if such opportunity requires debt financing that may be provided by the SMA or other third-party lender. See also "*Conflicts Related to Purchases and Sales*" above. The Firm generally offers the SMA the opportunity to enter into a Loan Transaction to facilitate the Funds' acquisition of an investment opportunity, refinancing of a portfolio company's existing indebtedness or new financing. The Firm (or portfolio company) may accept or reject the SMA's proposed terms in

their sole discretion and are free to accept proposals from third-party lenders. Therefore, the co-investment allocation policies described above generally do not apply to the non-discretionary SMA. Once the Firm has offered to an SMA the opportunity to enter into a Loan Transaction with a Fund's existing or prospective portfolio company, the terms of such Loan Transactions will be negotiated directly with the SMA on an arm's-length basis consistent with the manner in which the Firm would negotiate with another third-party lender on behalf of the Fund's portfolio company. The Firm or the applicable Fund may receive information pertaining to such portfolio company that is not otherwise made available to such SMA. The SMA is responsible for conducting its own legal and confirmatory diligence and requesting information from the portfolio company as it determines necessary or appropriate for its own purposes. Except as provided in a SMA Agreement, the Firm will not be responsible for conducting any such diligence or otherwise provide the SMA information on an unsolicited basis. Conversely, the SMA may benefit from the diligence conducted by Parthenon in connection with its evaluation of an investment for one or more Funds. The SMA will not be required to reimburse or otherwise bear any share of such diligence expenses incurred by the Funds.

Given the nature of these conflicts, there can be no assurance that any such conflicts will be resolved in a manner that is beneficial to a particular Fund or SMA and actions may be taken by one Fund or SMA that adversely affects another Fund or SMA. Although Parthenon will seek to resolve all such conflicts using its best judgment in its sole discretion, there is no assurance that such conflicts will be resolved in the Fund's favor; it being understood that Parthenon does not have any control or authority over the decisions made on behalf of its non-discretionary SMAs.

Additional Investment Strategies. Parthenon is considering and may in the future pursue investment strategies that it believes are complementary to the Firm's business. These additional investment strategies may differ from that of the existing private equity-focused Funds. The Firm believes that any potential conflicts of interest arising from such additional investment strategies would be mitigated by the terms of the Governing Documents applicable to such Fund or SMA, including any applicable investment allocation requirements. Nonetheless, if such strategies are pursued, there may be a conflict of interest in the allocation of such investment opportunities among two or more Funds or other clients. In such event, the Firm will evaluate a variety of factors which may be relevant in determining whether a particular investment opportunity is appropriate and feasible for the Funds, including the factors set forth above under "*Allocation of Investment Opportunities*". These other investment strategies will also require significant time and attention from certain employees of the Firm. Such persons will have demands made on their time for the investment, monitoring, exit strategy and other functions of other clients.

Limited Partner Information. In connection with the offering of interests in a Fund the Firm will make available, prior to the closing of such offering, to each prospective investor the opportunity to ask questions of, and receive responses from, a representative of the Firm concerning the terms and conditions of the offering and to obtain any additional information, if the Firm possesses such information or can acquire it without unreasonable effort or expense. The Firm may provide such information in templates prepared for all investors and not tailored to a specific investor. However, due to the fact that different potential investors may ask different questions and request different information, the Firm may provide certain information to one or

more prospective investors that it does not provide to all prospective investors. None of the responses or additional information provided will be integrated into any offering materials, and no prospective investor may rely on any such responses or information in making its decision to invest in any offered securities.

Over the course of the life of a Fund the Firm may provide certain investors with supplemental information regarding the affairs of the Fund and its portfolio companies that is not customarily provided in the Fund's financial statements or other general reports to the Fund's investors. Co-investors may also receive financial, due diligence and other information relating to investments in which they hold a co-investment that will not be made available to all investors. In addition, investors with representatives appointed to a Fund's advisory board may receive information pertaining to conflicts, amendments to the Fund's terms, valuation determinations, and other information pertaining to existing or prospective investments that may not be made available to all investors. In response to such requests, the Firm 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 such investors. The disparity of information provided to Fund Limited Partners may create conflicts of interest, particularly with respect to information that may be relevant to the valuation of an investor's interest in the Fund or the evaluation of a potential co-investment opportunity.

A Fund's Organizational Documents may permit the Firm to withhold information from certain investors. For instance, information may be withheld from investors that are subject to the Freedom of Information Act or similar laws or regulations that may compel the public disclosure of the Fund's financial statements or other confidential information. The Firm may also withhold certain information from certain investors for reasons relating to the Firm's public reputation or overall business strategy, despite the potential benefits to the investor of receiving such information.

Management of the Funds. Parthenon may give advice or take actions with respect to, the investments of one or more Funds that may not be given or taken with respect to other Funds with similar investment programs, objectives or strategies. For example, the tax structure of one Fund's participation in an investment may be different than the tax structuring for another Fund's participation in the same investment. 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 due to tax, regulatory or other considerations. These differences may result in variations with respect to participation, price, leverage and associated costs of a particular investment opportunity, including the taxes borne by the investors participating in an investment through a particular tax structure.

In addition, it is expected that employees of Parthenon responsible for managing a particular Fund will have responsibilities with respect to other Funds and SMAs, including Funds and SMAs raised in the future or to proprietary investments made by Parthenon, its affiliates, partners or other personnel. Conflicts of interest may arise in allocating time, services or functions of these officers and employees.

Conflicts Relating to Borrowing Arrangements. Funds having the same investment objectives and that are designed to invest alongside each other in the same investments may enter into borrowing arrangements that require each such vehicle to be jointly and severally liable for the obligations of the other parallel investment vehicles. The Firm expects that such arrangements will be limited to subscription facilities for the benefit of such Funds as a whole and that will allow such Funds to bridge capital contributions from their investors and, to a lesser extent, portfolio company guarantees and letters of credit. Similarly, in rare instances, Funds may be jointly and severally liable for the obligations of Other Funds and co-investors. If one entity defaults on such an arrangement, the other obligors in such arrangement may be held responsible for the defaulted amount. As such, investors in the Funds may be required to fund all or a portion of their capital subscriptions to satisfy the capital contribution obligations of the investors of the same Fund, another Fund and co-investors. The Funds will only enter into such joint and several borrowing arrangements when Parthenon determines it is in the best interests of the Funds.

The Funds bear the interest, fees and associated costs of these lending arrangements. Borrowings to bridge capital contributions from investors generally are repaid within 120-270 days. As a result, the Fund's use of borrowed funds will impact the calculation of net performance metrics (to the extent they measure investor cash flows) and may make net IRR calculations higher (in the short term) than it otherwise would be without fund-level borrowing as these calculations depend on the amount and timing of actual capital contributions, not the date an investment was made using borrowed funds. Such arrangements may also affect the amount of preferred return that accrues to investors in a Fund as the preferred return accrues from the date of actual capital contributions, not the date of investment in the underlying portfolio company. The general partner's discretion to utilize such subscription facilities creates a conflict of interest because of the potential positive impact on Parthenon's track record and such borrowings have the potential to accelerate the timing of Carried Interest distributions to the general partner as a result of a lower accruing preferred return. Parthenon believes these conflicts are mitigated by the relatively short period of time that borrowed amounts are typically outstanding relative to the average hold period of the Funds' investments.

Conflicts Relating to Retention of Parthenon Related Parties. Parthenon generally may, in its discretion, contract with any related person of Parthenon (including but not limited to a portfolio company of a Fund) to perform services for Parthenon in connection with its provision of services to the Funds or SMAs. When engaging a related person to provide such services, Parthenon 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.

Parthenon generally may, in its discretion, recommend to a Fund or to a portfolio company thereof (in response to a solicitation for a recommendation or otherwise) that it contract for services with (i) Parthenon or a related person of Parthenon (including but not limited to a portfolio company of a Fund) or (ii) an entity with which Parthenon or its affiliates or a member of their personnel has a relationship or from which Parthenon or its affiliates or their personnel otherwise derives financial or other benefit. When making such a recommendation, Parthenon, because of its financial or other business interest, has 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.

Parthenon, its affiliates, and partners, officers, principals and employees of Parthenon and its affiliates may buy or sell securities or other instruments that Parthenon has recommended to Funds or SMAs. Officers, principals and employees of Parthenon may also buy securities in transactions offered to but rejected by Funds or SMAs. The transactions described above are subject to the policies and procedures set forth in Parthenon's Code of Ethics and investors will not benefit from any such investments. The investment policies, fee arrangements and other circumstances of these investments may vary from those of the Funds or SMAs. If officers, principals and employees of Parthenon have made large capital investments in or alongside the Funds they will have conflicting interests with respect to these investments. While the significant interests of the officers and employees of Parthenon 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).

Parthenon may, in its discretion, have, and may, in its discretion, 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 Parthenon. 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 Parthenon 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 Parthenon 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.

Because certain expenses are paid for by a Fund, SMA and/or portfolio companies or, if incurred by Parthenon, are reimbursed by a Fund, SMA and/or portfolio companies, Parthenon may not necessarily seek out the lowest cost options when incurring (or causing a Fund, SMA or portfolio companies to incur) such expenses.

Providers of Operations Support. Parthenon, the Funds and the portfolio companies will from time to time retain other companies and individuals ("**Operations Support Providers**"), which may include Specialists engaged by the Firm and affiliates of the general partners, employees of such affiliates, independent contractors retained by Parthenon, portfolio companies of other of Parthenon's Funds, third party consultants (including specialized consultants, executives in residence, external executives, and industry advisory council members), "operating partners" or "senior advisors". The Operations Support Providers are engaged to provide operational support, due diligence, research, sourcing, specialized operations and consulting services and similar or related services to, or in connection with, one or more portfolio companies in relation to the identification, acquisition, holding, improvement and disposition of portfolio companies ("**Operations Support Services**"). These services may be high level insight, or extensive day-to-day roles, and may include support to the general partner of the Funds or portfolio companies regarding, among other things "100-day initiatives" pertaining to the company's management (including serving in management positions or participating in determining corporate strategy), finance (including generating metrics and reporting and business restructuring), human capital

management (including recruiting personnel and determining executive/incentive compensation), and similar operational matters. Generally, Operations Support Services are provided to the portfolio companies in which the Funds hold control positions. The determination of whether a service is an Operations Support Service will be made by the applicable general partner, in its good faith discretion, but will generally be based on whether Third Parties often provide such services to investment advisers or companies. Parthenon's good faith determination as to whether a service is an Operations Support Service, the categorization of any related fees and expenses and the allocation of such fees and expenses shall be binding on the applicable Funds and their investors.

The nature of the relationship with an Operations Support Provider and the time devotion requirements of each such Operations Support Provider may vary significantly. Fees charged on behalf of Operations Support Providers and expenses associated with Operations Support Services ("**Operations Expenses**") generally are paid and/or reimbursed by portfolio companies. Operations Expenses (including Operations Expenses incurred in connection with an affiliated Operations Support Provider) may be determined at the discretion of the general partner of the applicable Fund taking into account the particular Operations Support Services, may include an annual fee or retainer, a fixed or "flat" fee for pre-determined services, a discretionary bonus, profits or equity interest in the portfolio company or other incentive-based compensation to the Operations Support Provider, and may be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the Operations Support Provider, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such companies. Operations Expenses may also be incurred in respect of portfolio companies prior to the closing of the investment in which case such expenses generally are paid by the portfolio company at the closing. In some instances, the Funds may be subject to limitations on reimbursements of Operations Expenses in which case such expenses provided for the benefits of the Funds may be borne by the Funds. In the event an Operations Support Provider (directly or indirectly) provides services with respect to more than one Fund, such Operations Expenses will be allocated among the Funds as determined by the Firm in a fair and equitable manner, to the extent such expenses are not reimbursed by the portfolio company.

Parthenon has entered into arrangements with certain affiliated Operations Support Providers to provide Operations Support Services to the Fund's portfolio companies pursuant to which such Operations Support Providers receive an annual consulting fee retainer paid by Parthenon and are entitled to an incentive fee, which is based on the amount of Operations Expenses billed to the portfolio companies for the Operations Support Provider's services, and which may be subject to an annual cap on the incentive fee. To the extent any such Operations Expenses are payable to any affiliated Operations Support Provider (or to the Firm), such Operations Expenses will not be for the benefit of the Fund or otherwise reduce any fees otherwise payable by the Fund to Parthenon or its affiliates. Parthenon is entitled to retain a portion of the Operations Expenses billed on behalf of the Operations Support Provider as reimbursement of the retainer previously advanced to the Operations Support Provider, as well as the portion of the Operations Expenses that exceeds the incentive fee cap, if applicable. A conflict of interest arises from these arrangements because they create an incentive for Parthenon to recommend the Operations Support Services of the affiliated Operations Support Providers even if another person is more

qualified to provide the applicable services and/or can provide such services at a lesser cost. In certain instances, Parthenon has waived monitoring fees and fees in connection with positions as director, mergers, acquisitions, add-on acquisitions, refinancings, public offerings, sales and similar transactions due from portfolio companies, in an amount equal to the fees owed by the portfolio company to an Operations Support Provider but may not do so in the future. SMAs that have an interest in a portfolio company generally are not considered to be beneficiaries of Operations Support Services and will not be responsible for the payment or reimbursement of any Operations Expenses.

Related Services. As described in Item 5 above, the Firm and its affiliates from time to time perform transaction-related, financial advisory, consulting, monitoring, management and other services for actual or prospective portfolio companies, including 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. Parthenon's services in connection with these transactions may include but are not limited to: support of portfolio company management personnel, board and committee participation, advice with respect to development and implementation of strategies for the operating, marketing and financial performance of a portfolio company and its affiliates, evaluation of acquisition opportunities, if any, evaluation of corporate initiatives, assistance with obtaining financing and operations under any financing arrangements, due diligence reviews, executive search/compensation services, merger integration and planning and exit planning. Any such services provided to portfolio companies from time to time are referred to as "**Portfolio Operations Services**". Parthenon and its affiliates receive fees, options or other equity incentive compensation from, actual or prospective portfolio companies or other investment vehicles pertaining to a Fund, in connection with the provision of Portfolio Operations Services, which are referred to as "**Portfolio Operations Fees**". As described in Item 5 above, Parthenon and its affiliates receive "Monitoring Fees" pursuant to management services agreements with portfolio companies of the Funds governing the provision of Portfolio Operations Services and other similar ongoing services provided by Parthenon to such portfolio companies. The terms of a such agreements may include (among other things) annual automatic renewals and the payment of Monitoring Fees, which may be fixed fees or calculated as a percentage of invested capital, the equity value of a Fund's investment in the portfolio company, aggregate gross value of a particular transaction, 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 accelerated Monitoring Fee may be calculated as the present value of hypothetical future payments, which may be based on an assumed growth in performance, based on an assumed growth in earnings, revenue or similar metric, and may be calculated using a discount rate as low as the risk-free rate, as determined by Parthenon. Since the management services agreements may have prolonged terms (often exceeding ten years and/or subject to automatic extensions and renewal), the financial effect of such acceleration can be substantial, particularly in the event circumstances occur early in the life of a Fund's investment in such portfolio company. Such fees are in addition to any Management Fees or Carried Interest paid by the Funds to Parthenon or any fees paid by a SMA. Consistent with the applicable Funds' Organizational Documents, the Firm is permitted to incur expenses, and a portfolio company may reimburse the Firm for such expenses (including travel expenses, which may include expenses pertaining to private and chartered aircraft, first class, business class or other travel airfare and any related upgrades, and "black car" or premium on-demand-driver services, meals

(including late night meals consumed at times when not traveling), and entertainment expenses (including, as applicable, closing dinners and mementos, social events with portfolio company management, customers, clients, lenders and other service providers), lodging, expenses relating to training programs, meetings or other events (to the extent such programs, meetings or events are attended by portfolio company personnel), expenses relating to recruiting and hiring portfolio company personnel (including background checks, recruitment fees, and relocation expenses), consulting fees and other out-of-pocket costs and expenses) incurred by the Firm in connection with its performance of Related Services for such portfolio company. Reimbursable expenses may also include out-of-pocket expenses incurred by the Firm for consultants, law firms, accountants or other advisors retained in connection with the Firm's performance of Portfolio Operations Services for a portfolio company.

A conflict of interest arises from these arrangements because they create an incentive for Parthenon to recommend its Portfolio Operations Services even if another service provider is more qualified to provide the applicable services and/or can provide such services at a lesser cost. The Firm determines the amount of the Portfolio Operations Fees, Monitoring Fees and in certain circumstances Director Fees for the Portfolio Operations Services 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 co-investors in its transactions, and the amount of such fees and reimbursements may not (except in connection with Management Fees offsets) be disclosed to investors in the Fund. These fees may be substantial. The Firm generally has substantial control or influence over its portfolio companies and in many cases with respect to the implementation of the arrangements described above there may not be 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. These fees and out-of-pocket expenses are substantial, particularly in the event such circumstances occur early in the life of the Fund's investment in such portfolio company. This creates a conflict of interest between the Firm and its affiliates and the Funds and their investors because the Funds and their investors generally do not have a direct interest in these fees and reimbursements. The amount of such compensation and reimbursements may not (except in connection with the reductions described below) be disclosed to a Fund's investors.

The Firm will in certain circumstances reduce the amount of Management Fees paid by the applicable Fund in connection with the receipt by the Firm of the Fund's share of Portfolio Operations, Fees, Monitoring Fees and Director Fees. The amount and nature of this reduction is set forth in the advisory agreement of the applicable Fund. Entities that participate in investments alongside a Fund may have a right to share in such fees, and such Fund's Management Fee will generally not be reduced in connection with the receipt by such other entities of their share of such fees. Funds and co-investment vehicles that do not bear any Management Fees generally do not share in such fees, and the portion of such fees that would otherwise be allocated to such Funds may be allocated to other Funds or retained by the Firm. In addition, in the event of the receipt of equity incentives or other compensation as described above, the recipients, or the Firm, 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 distributed securities for such time as such recipient, or the Firm, shall determine. The ability of such recipients or the Firm to act in their or its own

interests with respect to such compensation creates a potential conflict of interest between the Firm and the Fund.

Parthenon and its personnel have in the past and may, from time to time in the future, receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of the Funds or portfolio companies, including benefits and other discounts provided from service providers. For example, airline travel, hotel stays and other expenses incurred as Fund expenses or that are reimbursable from portfolio companies may result in cash-back incentives, “miles,” “points” or other forms of credit in loyalty/status programs to Parthenon and/or its personnel, and such rewards and/or amounts will exclusively benefit Parthenon and/or such personnel and will not be subject to any Fund’s Management Fee offset arrangements described above or otherwise shared with the Funds, their investors and/or portfolio companies.

Business with Portfolio Companies and Investors. Given the collaborative nature of Parthenon’s business and the portfolio companies in which the Funds have invested, there are often situations where Parthenon is in the position of recommending the services of a portfolio company to other portfolio companies of the Funds, which may involve fees, commissions, servicing payments and/or discounts to the Firm, an affiliate, or a portfolio company. Parthenon may have a conflict of interest in making such recommendations, in that Parthenon has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for the Funds, while the products or services recommended may not necessarily be the best available to the portfolio companies held by the Fund. The benefits received by a portfolio company providing a service may be greater than those received by the Fund and its portfolio companies receiving the service.

Parthenon has an incentive to recommend the products or services of certain investors or prospective investors in the Funds, certain third parties, or their related businesses to the Fund or its portfolio companies for use or purchase, even though the products or services recommended may not necessarily be the best available to the Funds or the portfolio companies.

Portfolio companies controlled by one or more Funds may provide services to certain Fund investors. Parthenon has an incentive to cause the portfolio company to favor those investors relative to other portfolio company clients or customers in terms of pricing or otherwise, which could adversely affect the portfolio company’s profitability to the Fund. Additionally, the portfolio company could recommend to its clients or customers that they invest in the Funds.

In addition, certain portfolio companies controlled by one or more Funds may engage in activities that could adversely affect a Fund’s other portfolio companies or another Fund or its portfolio companies, including, for instance, as a result of laws and regulations or certain jurisdictions (such as bankruptcy, environmental, consumer protection, privacy and other data protection, and/or labor or union laws) that may not recognize or permit the segregation of assets and liabilities between separate entities. Such jurisdictions may also allow for recourse against assets that are under common control with, or part of the same economic group as the entity that has incurred the liability. This may result in the assets of a Fund and/or a portfolio company being used to satisfy the obligations or liabilities of another Fund or its portfolio company.

Parthenon and/or its affiliates may engage in business opportunities arising from the Fund’s investment in a portfolio company (for example, without limitation, entering into a joint venture

with a portfolio company or making a proprietary investment in a portfolio company). This creates a conflict of interest, as such interests are a benefit arising from the Fund's investment and may vary from the applicable Fund's interest (e.g., whether to make a follow-on investment and, if so, how much should be allocated to the Fund).

A portfolio company of a Fund may compete with, be a customer of, or is a service provider to, other Funds' portfolio companies. In providing advice with respect to a portfolio company's business, Parthenon is not obligated to, and need not, take into consideration the interests of, the other relevant portfolio company or any interests of the Funds. A conflict of interest may arise in these instances because advice and recommendations provided by Parthenon to a portfolio company may have adverse consequences to a competitor portfolio company owned by another Fund. When providing advice to any such portfolio company that is a competitor of another Fund's portfolio company, Parthenon is not required to consider the interests of, or potential consequences to, such competitor portfolio company.

Parthenon and/or its affiliates may engage service providers to provide services to Parthenon, the Funds and/or their portfolio companies, including for example, investment or commercial bankers, outside legal counsel and pension consultants who provide services (including services during the due diligence and acquisition process, mezzanine and/or lending arrangements) to Parthenon, the Funds, or their portfolio companies. Such service providers or their affiliates may be existing or prospective investors in the Fund or Other Funds. Such engagements may be concurrent with an investor's admission to a Fund, or during the term of such investor's investment in such Fund or Other Fund. This creates a conflict of interest, as Parthenon may give such investor preferred economics or other terms with respect to its investment in a Fund or may have an incentive to offer such investor co-investment opportunities that it would not otherwise offer to such investor.

Parthenon may also have a conflict of interest with a Fund in recommending the retention or continuation of a service provider to the Fund or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider will continue to invest in the Funds or will provide Parthenon information about markets and industries in which Parthenon invests or is interested or will provide other services that are beneficial to Parthenon or will provide financial sponsorship of events held by Parthenon. From time to time, service providers may pay for expenses relating to Parthenon sponsored events, such as transaction closing dinners or outings or informational summits or training events for Parthenon or portfolio company personnel. Although Parthenon selects service providers that it believes will enhance portfolio company performance (and, in turn, the performance of the Funds), there is a possibility that Parthenon, because of financial, business interest, or other reasons, may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. While Parthenon often does not have visibility or influence regarding advantageous service rates or other financial and non-financial arrangements, there will be situations in which Parthenon receives more favorable service rates or other arrangements than the Funds or their portfolio companies and such arrangements are not required to be shared with the Funds or their portfolio companies.

These conflicts may also impact SMAs that have entered into Loan Transactions with a Fund's portfolio companies or have otherwise invested in such portfolio companies. SMAs will not be

entitled to any reduction in the fees paid to Parthenon by the SMA as a result of any fees or other compensation paid to Parthenon from these portfolio companies.

Use of Common Service Providers. Parthenon and the Funds will generally engage common legal counsel and other advisers in a particular transaction, including a transaction in which there may be conflicts of interest. Members of the law firms engaged to represent the Funds may be investors in a Fund, and may also represent its personnel, or one or more portfolio companies or investors in a Fund. In the event of a significant dispute or divergence of interest between Funds, Parthenon, its affiliates and/or its personnel, the parties may engage separate counsel in the sole discretion of Parthenon and its affiliates, and in litigation and other circumstances separate representation may be required.

Additionally, Parthenon and the Funds and the portfolio companies of the Funds may engage other common service providers. In certain circumstances, the service provider may charge varying rates or engage in different arrangements for services provided to Parthenon, the Funds, and/or the portfolio companies. For instance, fees for various types of work often depend on the complexity of the matter, the expertise required, and the time demands of the service provider. This may result in Parthenon receiving a more favorable rate on services provided to it by such a common service provider than those payable by the Funds and/or the portfolio company, or Parthenon receiving a discount on services even though the Funds and/or the portfolio companies receive a lesser, or no, discount. This creates a conflict of interest between Parthenon, on the one hand, and the Funds and/or portfolio companies, on the other hand, in determining whether to engage such service providers, including the possibility that Parthenon will 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 the Funds and/or the portfolio companies. Similarly, common service providers may be asked to perform services on certain arrangements that relate to a transaction for which the Fund or its portfolio companies will bear the fees and expenses of the service provider, yet the arrangement may primarily benefit the Firm. For example, the fees and expenses relating to the preparation of the Firm's management services agreement with a prospective portfolio company are treated as transaction related expenses borne by the portfolio company or the Fund even though the Firm's fees for its services under certain circumstances may only benefit the Firm.

The decision by Parthenon to initially perform a service for a Fund in-house that could be outsourced to a third party does not preclude a later decision to outsource such services (or any additional services) in whole or in part to a third-party service provider in the future. The fees and expense of any such third-party service provider will be borne by such Fund in accordance with its Organizational Documents. Outsourcing of services may not occur universally for all Funds and accordingly, certain expenses may be incurred by a Fund for the services of a service provider that are not incurred for comparable services performed in-house for other Funds.

Liability Insurance. Parthenon causes the Funds to purchase, and/or bear premiums, fees, costs and expenses (including any commissions and expenses of insurance brokers) for insurance to insure the applicable Funds, the applicable general partner, Parthenon and/or their respective directors, officers, employees, agents, representatives, members of a Fund's advisory board 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 buy- or sell-

side representation and warranties insurance policies (to the extent not borne by the applicable portfolio company) or “umbrella” or other insurance policies maintained by Parthenon that cover one or more Funds and/or Parthenon (including their respective directors, officers, employees, agents, representatives, members of the advisory board and other indemnified parties). Parthenon will make judgments about the allocation of premiums, fees, costs and expenses for such insurance policies among one or more Funds, and/or Parthenon on a basis as Parthenon determines is fair and reasonable. 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. In addition, certain pension plans and other investors managed by fiduciaries may require the retention of liability insurance with policy limits in such amounts as the investor may require to comply with laws, rules or regulations applicable to the investor, and which list such investors as additional insureds under the policy. The premiums, fees and costs of such insurance are generally borne by the applicable Fund in which such investors participate.

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

Item 12. Brokerage Practices

Parthenon does not make regular use of brokers for the purposes of purchasing or selling securities on behalf of the Funds because the securities that are typically purchased or sold on behalf of the Funds are acquired and/or disposed of in privately negotiated purchase and sale transactions.

From time to time, Parthenon may use a broker to effect transactions in public securities resulting from, or in connection with, portfolio investments. These circumstances include, among other things, the distribution of securities acquired in a transaction effected on behalf of, or in connection with, portfolio investments. In these instances, the Firm has full discretionary authority with respect to the selection of, and commissions paid to, brokers. If Parthenon determines to engage a broker, the Firm will select the broker considering the range and quality of its brokerage services, its execution capability, commission rate, financial responsibility and responsiveness to us, and the value to us of research provided, if any.

In certain limited circumstances, Parthenon may aggregate orders for purchase and sale as it deems appropriate and in accordance with each Fund’s documents and Parthenon’s investment allocation policy. Parthenon does not receive soft dollar benefits or client referrals from broker-dealers in connection with client transactions.

Item 13. Review of Accounts

Parthenon has an Investment Committee for each Fund comprised of senior investment professionals that is responsible for oversight of the investment process and for Fund investment decisions. In addition, the Firm’s investment professionals meet on a regular basis to review potential new and existing portfolio investments, and any issues raised during the regular meeting requiring committee review will be brought to the applicable Investment Committee.

Limited partners in the Funds are provided with unaudited financial information on a quarterly basis and audited financial statements on an annual basis. These reports may be distributed electronically. Limited partner meetings will be held annually. Limited partners are also provided with annual tax information.

While generally not required by the SMA Agreement with an SMA, Parthenon may review the SMA's portfolio from time to time and provide such written reports to the SMA regarding its investments as the SMA may request.

Item 14. Client Referrals and Other Compensation

For details regarding economic benefits provided to the Firm by non-clients, including a description of related material conflicts of interest and how they are addressed, please see Item 11 above.

While not a client solicitation arrangement, Parthenon has in the past, and may from time to time in the future engage one or more persons to act as a placement agent for a Fund in connection with the offer and sale of interests to certain potential investors. Such persons generally will receive a fee in an amount equal to a percentage of the capital commitments for interests made by such potential investors to such Fund that are subsequently accepted. Parthenon may also retain placement agents to provide general fund-raising advisory services without regard to the placement of investors in exchange for a fixed consulting fee. A Fund may, subject to any limitations set forth in its Organizational Documents, pay such fees. Management Fees received by Parthenon are generally reduced by the amount of such fees paid by the Fund. As some Funds do not pay Management Fees, any such reduction will not benefit such Funds.

Item 15. Custody

Certain funds through which current and former employees of Parthenon or its affiliates, certain business associates, and other "friends" of Parthenon receive account statements directly from a qualified custodian. The investors in such funds should carefully review those statements.

Item 16. Investment Discretion

Parthenon has entered into an investment management agreement with each Fund. Other affiliated investment managers have entered into investment management agreements with one or more of the respective Funds. Each such agreement, together with the management authority granted to each Fund's general partner pursuant to the Fund's limited partnership agreement, provides the Firm with full discretion to determine investments to be purchased and sold on behalf of a Fund and the terms of the related transactions. Limitations on Parthenon's investment discretion are set forth in the investment management agreement with, and the limited partnership agreements of, the Funds and generally involve certain diversification requirements.

Parthenon has entered into an investment advisory agreement with a SMA. Under this advisory agreement Parthenon provides non-discretionary investment sourcing services for the SMA. The SMA is responsible for approving and completing such investments.

Item 17. Voting Client Securities

While the securities evidencing the private equity investments made by the Funds are not typically the subject of proxies, there could be certain circumstances where Parthenon and its affiliates, having discretionary authority over the Funds, may be asked to vote the securities of such Funds on restructuring or other corporate matters. It is the general policy of Parthenon and its affiliates to vote client proxies in the interest of maximizing shareholder value.

Parthenon will also determine whether there is, or appears to be, a material conflict of interest that could influence the voting decision in a manner that would be adverse to the interest of a Fund. The Firm has adopted policies to address these material conflicts of interest.

Under certain circumstances, when it is believed to be in the best interests of the Funds, the Firm may vote in a manner that is contrary to the proxy voting principles and guidelines or may refrain from voting.

A copy of Parthenon's proxy voting policies and procedures will be provided to any client and prospective client upon request. Current Funds may also request information about the way in which the Firm voted in connection with assets held by such Funds.

Except as provided in a SMA Agreement, Parthenon does not have authority to vote on behalf of a non-discretionary SMA.

Item 18. Financial Information

Parthenon does not believe that it has any financial condition that is reasonably likely to impair its ability to meet contractual commitments to the Funds.