

WATER STREET HEALTHCARE PARTNERS, LLC

Water Street Healthcare Partners, LLC

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This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Water Street Healthcare Partners, LLC (the “Management Company”). If you have any questions about the contents of this Brochure, please contact us at (312) 506-2900. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.

The Management Company is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). However, such registration does not imply a certain level of skill or training.

Additional information regarding the Management Company is also available on the SEC’s website at www.adviserinfo.sec.gov.

MATERIAL CHANGES

Water Street Healthcare Partners, LLC filed its most recent Form ADV Part 2 on March 29, 2019. This annual amendment reflects (i) the addition of three new private investment fund clients, Water Street Healthcare Partners III AIV, L.P., Water Street Healthcare Partners IV S, L.P. and Water Street Healthcare Partners IV S Parallel, L.P., (ii) the addition of two new general partner entities, WSHM III AIV, L.P. and Water Street Healthcare Management IV S, L.P. and (iii) updates to the descriptions of certain of the business practices of Water Street Healthcare Partners, LLC and its affiliates.

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ADVISORY BUSINESS

Water Street (as defined below) is a private investment management firm, including several registered investment advisory entities and other organizations affiliated with the Management Company (collectively, “**Water Street**”).

The Management Company, a Delaware limited liability company and a registered investment adviser, provides investment advisory services to private investment funds. The Management Company commenced operations in January 2005.

The following are affiliated advisers of the Management Company (collectively with the Management Company, the “**Advisers**”):

- Water Street Healthcare Management, L.P. (“**GP I**”);
- Water Street Healthcare Management II, L.P. (“**GP II**”);
- WSHM II AIV, L.P. (“**GP II AIV**”);
- Water Street Healthcare Management III, L.P. (“**GP III**”);
- WSHM III AIV, L.P. (“**GP III AIV**”);
- Water Street Healthcare Management IV, L.P. (“**GP IV**”);
- Water Street Healthcare Management IV S, L.P. (“**Sidecar GP**,” and collectively with GP I, GP II, GP II AIV, GP III and GP IV, the “**General Partners**”).

The Advisers’ clients include the following (each, a “**Partnership**,” and together with any future private investment fund(s) to which Water Street or its affiliates provide investment advisory services, the “**Partnerships**”):

- Water Street Healthcare Partners, L.P. (“**Fund I**”);
- Water Street Healthcare Partners II, L.P. (“**Fund II**”);
- WSHP II AIV, L.P. (“**Fund II AIV**”);
- Water Street Healthcare Partners III, L.P. (“**Fund III**”);
- Water Street Healthcare Partners III AIV, L.P.;
- Water Street Healthcare Partners IV, L.P. (“**Fund IV**”);
- Water Street Healthcare Partners IV S, L.P. (“**Fund IV Sidecar Main**”); and
- Water Street Healthcare Partners IV S Parallel, L.P. (“**Fund IV Sidecar Parallel**,” and together with Fund IV Sidecar Main, “**Fund IV Sidecar**”).

The General Partners each serve as general partner to one or more Partnerships and have the authority to make the investment decisions for the Partnerships to which they provide advisory services. The Management Company provides certain advisory services to the General Partners. Each General Partner is subject to the Advisers Act pursuant to the Management Company’s registration in accordance with SEC guidance. This Brochure also describes the business practices of the General Partners, which operate as a single advisory business together with the Management Company.

The Partnerships invest and future Partnerships are expected to invest through negotiated transactions in operating entities, generally referred to herein as “**portfolio companies**.” The Advisers’ investment advisory services to the Partnerships consist of identifying and evaluating

investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments. Investments are made predominantly in non-public companies, although investments in public companies are permitted. From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of the Advisers or their affiliates generally serve on such portfolio companies' respective boards of directors or otherwise act to influence control over management of portfolio companies in which the Partnerships have invested.

The Advisers' advisory services for Partnerships are detailed in the relevant private placement memoranda or other offering documents (each, a "**Memorandum**") and limited partnership or other operating agreements (each, a "**Partnership Agreement**" and, together with any relevant Memorandum, the "**Governing Documents**"), and are further described below under "Methods of Analysis, Investment Strategies and Risk of Loss." Investors in Partnerships participate in the overall investment program for the applicable Partnership, but in certain circumstances are excused from a particular investment due to legal, regulatory or other applicable constraints or agreed upon circumstances pursuant to the Governing Documents; for the avoidance of doubt, such arrangements generally do not and will not create an adviser-client relationship between the Advisers and any investor. The Partnerships or the General Partners generally have entered into side letters or other similar agreements with certain investors that have the effect of establishing rights under, or altering or supplementing the terms (including economic or other terms) of, the Governing Documents with respect to such investors.

Additionally, from time to time, the Advisers expect to provide (or agree to provide) certain investors or other persons, including Water Street personnel and/or certain other persons associated with Water Street and/or its affiliates (to the extent not prohibited by the Governing Documents), co-investment opportunities (including the opportunity to participate in co-invest vehicles) that will invest in certain portfolio companies alongside a Partnership. Such co-investments typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the Partnership making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle (including a co-investing Partnership) purchases a portion of an investment from one or more Partnerships after such Partnerships have consummated their investment in the portfolio company (also known as a post-closing sell down or transfer), which generally will have been funded through Partnership investor capital contributions and/or use of a Partnership credit facility. Any such purchase from a Partnership by a co-investor or co-invest vehicle generally occurs shortly after the Partnership's completion of the investment to avoid any changes in valuation of the investment. Where appropriate, and in the Adviser's sole discretion, the Adviser is authorized to charge interest on the purchase to the co-investor or co-invest vehicle, and to seek reimbursement to the relevant Partnership for related costs. However, to the extent such amounts are not so charged or reimbursed, they generally will be borne by the relevant Partnership.

As of December 31, 2019, the Management Company managed approximately \$1,869,325,278 in client assets on a discretionary basis. The Management Company is principally owned and controlled by Timothy A. Dugan.

FEES AND COMPENSATION

In general, the General Partners receive a Management Fee (as defined below) and a carried interest in connection with advisory services. The General Partners, the Management Company or other Water Street entities or affiliates receive additional compensation in connection with management and other services performed for portfolio companies of Partnerships and such additional compensation will offset in whole or in part the Management Fees otherwise payable to the applicable General Partner in accordance with the Governing Documents. Investors in the Partnerships also bear certain Partnership expenses. The following is a general description of the fees, compensation and expenses of the Partnerships. Differences exist from Partnership to Partnership, and certain Partnerships may not charge certain fees, compensation or expenses that other Partnerships charge. The Governing Documents of the Partnerships describe fees, compensation and expenses in greater detail.

Management Fee

Each Partnership will pay the applicable General Partner a management fee (the “**Management Fee**”), partially in advance and partially in arrears, equal to 2.0% on an annual basis of aggregate Partnership investor capital commitments (“**Commitments**”), subject to reductions at the end of the investment period and in certain other circumstances, in each case, as specified in the Governing Documents. The Management Fee will be payable until all portfolio investments are distributed or until the General Partner’s relationship with the Partnership is terminated for other reasons (as described in the Governing Documents). Installments of the Management Fee payable for any period other than a full Management Fee period are adjusted on *pro rata* basis according to the actual number of days in such period.

Unless otherwise approved by the applicable Partnership’s advisory board, the Management Fee will be reduced by an offset credit equal to a specified percentage of the Partnership’s share of (i) directors’ fees paid by portfolio companies to partners or employees of the General Partner or certain of its affiliates; (ii) any net transaction fees, financial consulting fees or advisory fees paid to the applicable General Partner or certain of its affiliates with respect to any Partnership investment; and (iii) any net break-up fees with respect to Partnership transactions not completed that are paid to the applicable General Partner or certain of its affiliates (any such fees that such General Partner or another Water Street entity or person are permitted to retain are herein referred to as “**Supplemental Fees**”). To the extent that such an offset credit would reduce the Management Fee for a given Management Fee period below zero, the credit will be carried forward for future application against payable Management Fees. To the extent any such excess credit remains unapplied upon dissolution of a Partnership, each partner of such Partnership will receive its share of such unapplied excess, unless such partner elects not to receive its share. To the extent that any other Partnership or any other entity or individual co-invests alongside a Partnership in any portfolio company investment, any Supplemental Fees are permitted, to the extent specified in the Governing Documents, to be allocated with respect to such Partnership and the co-investors in proportion to the cost of the investment or potential investment in the portfolio company held (or committed to be held) by each. Such co-investors generally do not pay Management Fees or carried interest and to the extent any allocation with respect to Supplemental Fees has been made concerning the Partnership and co-investors, and no Managements Fees are charged to co-investors, the General Partner has no Management Fees to offset with respect to co-

investors and, therefore, is permitted to retain the full amount of the Supplemental Fees and the General Partner's Management Fee may be reduced to a lesser extent. Similarly, in certain circumstances, the Advisers expect that co-investors or other parties will negotiate the right to share a portion of such fees from a particular investment, and the above-described offset percentage will be applied after excluding any amounts paid to such persons. The terms of the Governing Documents provide the General Partner the ability to charge fees and/or carried interest in its discretion.

Water Street works with a network of executives, generally former chief executive officers or other senior healthcare executives, who work in a third-party consulting role with Water Street. These executives, referred to herein as "**Operating Partners**" and "**Executive Advisors**," provide services to portfolio companies and are not employees of Water Street. The Operating Partners and Executive Advisors typically receive compensation directly from portfolio companies (and, to a lesser extent, from the Partnerships and/or Water Street). In some instances, to the extent cash compensation is paid to the Operating Partners and Executive Advisors directly from portfolio companies over a specified amount, it reduces the amount of such compensation paid to such Operating Partners and Executive Advisors by Water Street. Operating Partners and Executive Advisors also generally receive equity-based compensation from portfolio companies in the form of grants or options for board membership and/or other consulting services. In certain cases, such equity-based compensation will be divided and allocated among a number of portfolio companies to provide ultimate payments that will occur over time and, if such structure is used, portfolio company equity-based compensation may include payments from portfolio companies where the Operating Partners and Executive Advisors have no direct involvement. No compensation paid by portfolio companies to (or with respect to) Operating Partners and Executive Advisors, whether paid directly to Operating Partners and Executive Advisors or through reimbursements to Water Street, will reduce or offset Management Fees payable to the Advisers. For the avoidance of doubt, the Advisers also will not offset compensation received from outside sources, such as residual employee board seats at entities that are no longer Partnership portfolio companies. Operating Partners and Executive Advisors from time to time may also be offered co-investment opportunities in portfolio companies. Such co-investment opportunities are typically on terms more favorable than investments in such portfolio companies made by the Partnerships. For example, Operating Partners and Executive Advisors typically are not charged a Management Fee or carried interest with respect to such co-investments, nor do they bear their share of any out-of-pocket expenses incurred in connection with prospective transactions, in which they intended to co-invest, that are not consummated ("**Broken-Deal Expenses**"). The compensation and co-investment arrangements for Operating Partners and Executive Advisors could create an incentive for Water Street to arrange for retention of Operating Partners and Executive Advisors by portfolio companies.

Water Street also maintains certain operations executives as full-time employees, referred to herein as "**Employee Operating Partners**," who do not receive any compensation from portfolio companies or the Partnerships. However, Employee Operating Partners may have received equity-based compensation from portfolio companies or the Partnerships prior to full-time employment with Water Street and may retain such equity-based compensation. As of the date of this Brochure, the Employee Operating Partners include: Jim Connelly and Kevin Swan. Only Mr. Swan has retained equity-based compensation received prior to his employment by Water Street.

Water Street also has a “**Corporate Resources Group**” that is comprised of functional specialists who are Water Street employees, or are retained as consultants, with experience in executing key strategic initiatives. The Corporate Resources Group is designed to supplement and/or provide expertise in particular areas for portfolio companies, including, without limitation, technology, human resources, acquisition integration/rationalization and/or other operations services, acquisition or other due diligence, marketing or public relations, group purchasing, national accounts or other services. Expenses of the Corporate Resources Group, including all compensation, benefits, overhead and travel costs, are passed through to portfolio companies or the Partnerships and are either paid directly by Water Street and then reimbursed by portfolio companies or the Partnerships or are paid directly by portfolio companies or the Partnerships. For the avoidance of doubt, 100% of the expenses of the members of the Corporate Resources Group, including all compensation, benefits and overhead are paid by portfolio companies. Under the terms of the Governing Documents, expenses of the Corporate Resources Group, whether initially incurred by Water Street directly and reimbursed by portfolio companies or the Partnerships, or paid directly by portfolio companies or the Partnerships, do not offset or reduce Management Fees payable to the Advisers by the respective Partnerships. Members of the Corporate Resources Group also may be offered co-investment opportunities in portfolio companies. Such co-investment opportunities are typically on terms more favorable than investments in such portfolio companies made by the Partnerships. For example, members of the Corporate Resources Group typically are not charged a Management Fee or carried interest with respect to such co-investments, nor do they bear their share of any Broken-Deal Expenses. The compensation and co-investment arrangements for Corporate Resources Group members could create an incentive for Water Street to arrange for the retention of Corporate Resources Group members.

The compensation paid to and co-investments held by the Operating Partners, Executive Advisors and members of the Corporate Resources Group are presented annually to the Partnerships’ respective advisory boards and are generally made available to the limited partners of the Partnerships unless the General Partner determines that the release of such information to a limited partner could put Water Street at a competitive disadvantage.

As permitted under the Governing Documents, the applicable General Partner is permitted to waive or agree to reduce the Management Fee. Certain waived portions of the Management Fee are treated by the Governing Documents as a deemed capital contribution by the relevant General Partner, which is effectively invested in the relevant Partnership on such General Partner’s behalf, and operate to reduce the amount of capital such General Partner would otherwise be required to contribute to the Partnership. The limited partners of the Partnership would, in such circumstances, be required to make a *pro rata* contribution according to their respective Commitments to fund any contribution that would otherwise be required of the General Partner in connection with any such waiver or reduction as described above and, as a result, the exercise of such waiver may result in an acceleration (or delay) of investor capital contributions. Waived or reduced Management Fees are applied prior to the Management Fee offsets described above, and the amount of such waived or reduced Management Fees has the potential to be significant. Due to waived or reduced Management Fees by a General Partner and/or timing of receipt of compensation subject to offsets (as described above), it is possible that Management Fee offsets will be delayed.

Carried Interest

The General Partner of each Partnership will receive a carried interest with respect to the respective Partnership(s) it advises equal to 20% or more of all realized profits in excess of an 8% compound preferred return subject to a General Partner catch-up provision, as more fully described in the applicable Governing Documents. The carried interest distributed to a General Partner is subject to a potential giveback at specified points during the life of a Partnership if such General Partner has received excess cumulative distributions.

It is expected that any similar future Partnerships will have a similar fee structure.

Other Information

The Advisers are permitted to exempt certain investors in the Partnerships from payment of all or a portion of the Management Fee and/or carried interest, such as business executives with strategic relationships with the Advisers. The General Partner reserves the right to make any such exemption from fees and/or carried interest by a direct exemption, a rebate by the Advisers and/or their affiliates, or through other vehicles which co-invest with a Partnership. In general, the Management Fee offsets described above apply only with respect to the capital commitments of fee-paying investors.

The Partnerships generally invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the Governing Documents, over the term of the applicable Partnership, and investors generally are not permitted to withdraw or redeem interests in the Partnership.

Principals or other current or former employees of Water Street may receive salaries and other compensation derived from, and in certain cases including a portion of, the Management Fee, carried interest or other compensation received by the General Partners or their affiliates.

In addition to the Management Fee and carried interest payable to the applicable General Partner, each Partnership bears certain expenses. As set forth in the Governing Documents, each Partnership generally bears all fees, costs, expenses, liabilities and obligations relating to the Partnership (and its subsidiaries' and intermediate entities') activities, business, portfolio companies or actual or potential investments, including with respect to any person formed to effect the acquisition and/or holding of a portfolio company (to the extent not borne or reimbursed by a portfolio company or potential portfolio company), including, as applicable for each Partnership, some or all of the following fees, costs, expenses, liabilities and obligations relating or attributable to: (i) activities with respect to the structuring, organizing, negotiating, consummating, financing, refinancing, acquiring, bidding on, owning, managing, monitoring, operating, holding, hedging, restructuring, trading, taking public or private, selling, valuing, winding up, liquidating, or otherwise disposing of, as applicable, the Partnership's portfolio companies and its actual and potential investments (including follow-on investments) or seeking to do any of the foregoing (including any associated legal, financing, commitment, transaction or other fees and expenses payable to attorneys, accountants, investment bankers, lenders, third-party diligence software and service providers, consultants and similar professionals in connection therewith and any fees and expenses related to transactions that may have been offered to co-investors), whether or not any

contemplated transaction or project is consummated and whether or not such activities are successful; (ii) indebtedness of, or guarantees made by, the Partnership, the applicable General Partner or any “affiliated partner” on behalf of the Partnership (including any credit facility, letter of credit or similar credit support), including interest with respect thereto, or seeking to put in place any such indebtedness or guarantee; (iii) financing, commitment, origination and similar fees and expenses; (iv) broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, private placement fees, sales commissions, investment banker, finder and similar services; (v) brokerage, sale, custodial, depository, trustee, record keeping, account and similar services; (vi) legal, accounting, research, auditing, administration (including fees and expenses associated with the Partnership’s third-party administrator and administration or reporting software, if any), information, appraisal, advisory, valuation (including third-party valuations, appraisals or pricing services), consulting (including consulting and retainer fees and other compensation paid to consultants performing investment initiatives and other similar consultants, but excluding fees for consulting services associated with overall strategy that are not performed as part of an investment initiative), tax and other professional services; (vii) reverse breakup, termination and other similar fees; (viii) directors and officers liability, errors and omissions liability, crime coverage and general partnership liability premiums and other insurance and regulatory expenses; (ix) filing, title, transfer, registration and other similar fees and expenses; (x) printing, communications, marketing and publicity; (xi) the preparation, distribution or filing of Partnership-related or investment-related financial statements or other reports, tax returns, tax estimates, Schedule K-1s, or any other administrative, compliance or regulatory filings or reports (including Form PF and any filings or reports contemplated by the Alternative Investment Partnership Managers Directive or any similar law, rule or regulation), or other information; (xii) any costs, fees and expense of any third-party service providers and professionals related to the foregoing, including expenses related to maintaining the applicable General Partner’s and its advisory affiliates’ status as SEC-registered investment advisers and complying with the Advisers Act, and any similar U.S. federal or state or non-U.S. government or self-regulatory organization laws, rules or regulations that require the applicable General Partner or its affiliates to obtain or maintain a license, apply for, or otherwise rely upon, an exemption or otherwise be regulated in order to control or manage the affairs of the Partnership (including expenses of any legal or other service providers maintained by the applicable General Partner or its affiliates to advise it or perform services on behalf of it or the Partnership and the costs of any compliance software, services or programs implemented by the applicable General Partner or its affiliates in connection with such matters); (xiii) developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software or other administrative or reporting tools (including subscription-based services) for the benefit of the Partnership or the limited partners; (xiv) any activities with respect to protecting the confidential or non-public nature of any information or data; (xv) to the extent provided in the applicable Governing Documents, or otherwise approved by the applicable General Partner in its sole discretion, activities or proceedings of the Partnership’s advisory board (including any reasonable out-of-pocket costs and expenses incurred by representatives of the applicable General Partner, the Partnership’s advisory board members, permitted observers and other persons in attending or otherwise participating in meetings of the Partnership’s advisory board); (xvi) indemnification (including any fees, costs and expenses incurred in connection with indemnifying any partner or other person pursuant to the applicable Governing Documents and advancing fees, costs and expenses incurred by any such person in defense or settlement of any claim that may be subject to a right of indemnification pursuant to the

applicable Governing Documents), except as otherwise set forth in the applicable Governing Documents; (xvii) actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process (including, with the approval of the applicable General Partner, for any partner if such partner is named in a lawsuit with respect to solely being a partner of the Partnership), including any judgment, other award or settlement entered into in connection therewith; (xviii) any annual limited partner meeting or other periodic, if any, meetings of the limited partners and any other conference or meeting with any limited partner(s); (xix) except as otherwise determined by the applicable General Partner in its sole discretion, any fee, cost, expense, liability or obligation relating to any alternative investment vehicle or its activities, business, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company of such alternative investment vehicle) that would be a Partnership expense or organizational expense if it were incurred in connection with the Partnership, and any expenses incurred in connection with the formation, management, operation, termination, winding up and dissolution of any feeder vehicles related to the Partnership to the extent not paid by the investors investing in such entities; (xx) the termination, liquidation, winding up or dissolution of the Partnership; (xxi) defaults by partners in the payment of any capital contributions; (xxii) amendments to, and waivers, consents or approvals pursuant to, the constituent documents of the Partnership, the applicable General Partner and related entities and any alternative investment vehicle of the Partnership, including the preparation, distribution and implementation thereof; (xxiii) complying with any law or regulation related to the activities of the Partnership (including regulatory expenses of the applicable General Partner incurred in connection with the operation of the Partnership and legal fees and expenses); (xxiv) any litigation or governmental inquiry, investigation or proceeding involving the Partnership, including the amount of any judgments, settlements or fines paid in connection therewith, except as set forth in the applicable Governing Documents; (xxv) unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer by a limited partner; (xxvi) any taxes, fees and other governmental charges levied against the Partnership and all expenses incurred in connection with any tax audit, investigation settlement or review of the Partnership (except to the extent that the Partnership is reimbursed therefor by a Partner or such tax, fee or charge is treated as having been distributed to the partners pursuant to the applicable Governing Documents); (xxvii) distributions to the partners and other expenses associated with the acquisition, holding and disposition of the Partnership's investments, including extraordinary expenses; (xxviii) unreimbursed expenses, including travel and any other expense that would otherwise be an expense of the Partnership if incurred by a principal, for Operating Partners, Executive Advisors, other consultants, the Corporate Resources Group or its members or other persons engaged by the Corporate Resources Group in connection with any contemplated transaction or project that is not consummated; (xxix) compliance or regulatory matters related to the Partnership, except as set forth in the applicable Governing Documents; (xxx) hosting or attending training programs, meetings or other events for portfolio companies and/or their personnel; (xxxi) attending conferences at which either industry trends or specific investment opportunities are discussed; (xxxii) closing dinners; (xxxiii) mementos; (xxxiv) limited partner gifts; (xxxv) any travel (including, where appropriate as determined by the applicable General Partner, the cost of using car services or private aircraft or other private air travel), lodging, meals or entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities; (xxxvi) workspaces or shared spaces; (xxxvii) organizational expenses up to the expense cap specified in the applicable Governing Documents;

(xxxviii) after-hours meals or transportation; (xxxix) advance payments of estimated expense amounts; (xl) Cayman anti-money laundering costs (for any Cayman vehicles); (xli) third-party administration expenses; (xlii) hiring consultants or portfolio company personnel (*e.g.*, headhunter fees, background checks or relocation expenses); (xliii) membership dues owed to industry, trade and other similar associations; and (xliv) any other fees, costs, expenses, liabilities or obligations approved by the Partnership's advisory board. Generally included in the expenses permitted to be borne by a Partnership are the fees, costs, expenses, liabilities and obligations of legal counsel, consultants and/or other service providers to procure, develop, establish, review, revise, customize, upgrade and/or negotiate relationships relating to the foregoing items, which generally are expected to be significant. In certain cases, these or similar expenses (and/or Supplemental Fees) are expected to be charged to portfolio companies, capitalized into the cost basis of a transaction or, to the extent necessary or desirable for operational, administrative, tax or other reasons, charged at the level of an intermediate holding company between the relevant Partnership and the portfolio company.

The General Partners reserve the right to permit certain investors to co-invest in portfolio companies alongside one or more Partnerships. If a co-invest vehicle is formed, such entity generally will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Partnerships. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction, ultimately is not consummated, all Broken-Deal Expenses relating to such unconsummated transaction will be borne by the Partnership(s), and not by any prospective co-investors that were to have participated in such transaction. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such vehicle is expected to bear its share of such Broken-Deal Expenses. Notwithstanding the foregoing, Water Street has formed a vehicle through which certain of its employees invest alongside the Partnerships (the **"Co-Invest Fund"**), which does not pay a Management Fee or carried interest and does not pay partnership expenses or bear its share of Broken-Deal Expenses.

In certain circumstances, one Partnership is expected to pay an expense or obligation common to multiple Partnerships (including without limitation legal expenses for a transaction in which all such Partnerships participate, or other fees or expenses in connection with services the benefit of which are received by other Partnerships over time), and be reimbursed by the other Partnerships by their share of such expenses or obligations, without interest. In certain circumstances, Water Street, the relevant General Partner or an affiliate thereof has the ability to advance amounts related to the foregoing and receive reimbursement from the Partnerships to which such expenses relate.

The Partnerships generally utilize Partnership-guaranteed capital call loans to fund new investments prior to calling capital from limited partners for administrative convenience. The Partnerships also utilize longer term Partnership-guaranteed credit facilities to bridge to future equity or portfolio company stand-alone credit facilities. The calculation of Partnership performance metrics generally is favorably influenced by the use of these types of credit facilities.

Additionally, as described above and more fully in the Governing Documents, financial statements and/or advisory board minutes (generally circulated to each investor) for each

Partnership, Operating Partners, Executive Advisors and/or members of the Corporate Resources Group are permitted to receive fees and other compensation from portfolio companies of such Partnership in the form of cash and/or equity-based compensation. Such compensation does not reduce or offset Management Fees payable to the Advisers. Operating Partners, Executive Advisors and/or members of the Corporate Resources Group reserve the right to make co-investments alongside a Partnership and, as noted above, typically are not charged a Management Fee or carried interest on such co-investments, nor do they bear their share of any Broken-Deal Expenses with respect to such co-investments. Furthermore, to the extent any Operating Partners or Executive Advisors are limited partners of a Partnership, such individuals will typically not be charged carried interest. As noted above, if an Operating Partner or Executive Advisor who is a third-party consultant receives equity-based compensation in a portfolio company and subsequently becomes an employee of Water Street, such person may retain such equity-based compensation received prior to his or her employment by Water Street. The use of Operating Partners, Executive Advisors and the Corporate Resources Group subjects the Advisers to potential conflicts of interest, as described under “Methods of Analysis, Investment Strategies and Risk of Loss — Conflicts of Interest,” below.

Water Street and/or its affiliates generally have discretion over whether to charge Supplemental Fees or other compensation to a portfolio company and, if so, the rate, timing and/or amount of such compensation, as well as to charge such amounts at varying levels in a portfolio company’s holding or operating structure. In most circumstances, such compensation is not reviewed or approved by an independent third party. The receipt of Supplemental Fees or other compensation generally will give rise to potential conflicts of interest between the Partnerships, on the one hand, and Water Street and/or its affiliates on the other hand.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described under “Fees and Compensation,” the relevant General Partner typically receives a carried interest allocation on certain realized profits in the Partnerships. Water Street also advises the Co-Invest Fund, which is not subject to Management Fees or a carried interest. While this practice could present a conflict of interest in allocating investment opportunities and expenses because Water Street has an incentive to favor accounts for which it receives the highest performance based compensation, Water Street does not believe this arrangement poses a conflict of interest in practice because the Co-Invest Fund co-invests alongside the relevant Partnership at substantially the same time and on substantially the same terms as such Partnership and disposes of such investments in a similar manner.

Additionally, to the extent that the Advisers have Partnerships with varying carried interest terms and/or Water Street personnel are assigned varying percentages of carried interest from the Partnerships, the Advisers and such personnel are subject to potential conflicts of interests, to the extent they are involved in identifying opportunities as appropriate for Partnerships from which they are entitled to receive a higher carried interest percentage. Water Street seeks to address the potential for conflicts of interest in these matters with allocation policies that provide that transactions and investment opportunities will be allocated to the Partnerships in accordance with each Partnership’s investment guidelines and Governing Documents, as well as other factors that do not include the amount of performance-based compensation received by Water Street or any personnel.

TYPES OF CLIENTS

The Advisers provide investment advice solely to its Partnership clients, and references throughout this Brochure to “clients” and to the Advisers’ related duties to and practices on behalf of their clients and/or investors should be construed accordingly. The Partnerships are investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder (the “**Investment Company Act**”). The investors participating in Partnerships generally include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and from time to time include, directly or indirectly, principals or other employees of the Advisers and their affiliates and members of their families, Operating Partners, Executive Advisors or other service providers retained by Water Street

The Partnerships include alternative investment vehicles established from time to time in order to permit certain investors to participate in one or more particular investment opportunities in a manner desirable for tax, regulatory or other reasons. Alternative investment vehicle sponsors generally have limited discretion to invest the assets of these vehicles independent of limitations or other procedures set forth in the organizational documents of such vehicles and the related Partnership.

Fund I has a minimum investment of \$5 million for third-party investors, while Fund II, Fund II AIV, Fund III, Fund IV and Fund IV Sidecar have a minimum investment of \$10 million for third-party investors. The relevant General Partner is permitted to waive such minimum investment amounts. Investors in the Partnerships must meet certain suitability and net worth qualifications prior to making an investment. Investors must be (i) “accredited investors” as defined under Regulation D of the Securities Act of 1933, as amended, and (ii) either “qualified purchasers” or “knowledgeable employees” as defined under the Investment Company Act.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

General

Water Street is a private investment firm focused on making investments in later-stage, middle-market healthcare companies. The Advisers’ investment advisory services consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for investments. Investments are predominantly of non-public companies although investments in public companies are permitted.

The following is a summary of the investment strategies and methods of analysis generally employed by Water Street on behalf of the Partnerships and a summary of certain risks involved with Water Street’s investment strategy and an investment in the Partnerships. More detailed descriptions of the Partnerships’ investment strategies and methods of analysis and risks are included in the applicable Memorandum and Governing Documents for each Partnership. The investment strategies and methods of analysis and risks described in this section also generally apply to the Co-Invest Fund.

The Advisers' investment strategy for the Partnerships focuses on the acquisition of controlling interests in middle-market companies and divisions of global healthcare organizations that the Advisers believe have strong growth prospects to serve as potential platform companies. The Advisers focus on investments that require equity capital of approximately \$25 million to \$100 million, although the required capital may be greater or less than such amounts.

The Advisers' investment strategy consists of the following phases: (i) investing in middle-market companies in targeted sub-sectors of the healthcare industry; (ii) sourcing proprietary investment opportunities through a proactive, direct sourcing program; (iii) creating customized transaction structures and innovative capital structures for sellers; (iv) seeking to build market-leading companies through strategic, transformational combinations; (v) improving the operating performance of portfolio companies; and (vi) extensive exit planning to position a portfolio company for strategic sale.

There can be no assurance that the Advisers will achieve the investment objectives of any of the Partnerships and a loss of investment is possible.

Investment and Operating Strategy

Invest in Attractive Sub-Sectors of the Healthcare Industry. The Advisers will seek to identify attractive sub-sectors through direct research, their extensive network of industry relationships, and the unique market intelligence they derive as a result of their proactive, systematic sourcing program. The Advisers will seek to invest in segments of the healthcare industry that the Advisers believe offer attractive fundamentals and in which the Advisers have had prior experience, including: (i) medium- and lower-technology medical, diagnostic and life science products; (ii) specialty distribution; (iii) specialty pharmaceutical products and services; and (iv) outsourced healthcare services.

Sourcing Investments through a Proactive, Direct Sourcing Program; Due Diligence. The Advisers' deal sourcing program has two components: (i) a comprehensive sourcing effort focusing on the 200 largest publicly-traded healthcare companies; and (ii) a segment-focused sourcing effort with middle-market companies. The first component serves as a method for the Advisers to propose and discuss creative ways to enhance the operations, market positions and value of certain of the public healthcare company's non-core businesses. The second component focuses on building a dialogue with middle-market companies in pre-selected areas of interest with a goal of partnering with them to seek to grow their businesses. The information gathered through the proactive sourcing program helps the Advisers to: (a) better understand trends and competitive dynamics in a segment by talking to key participants and competitors in that segment; (b) identify businesses that can most likely be combined to create a market leader in the segment of interest; and (c) identify likely strategic buyers of that business once successfully built and developed. Once a potential investment is identified, the Advisers develop an investment thesis and, through a detailed due diligence process, seek to verify such thesis and investigate the major business risks.

Create Customized Transaction Structures for Sellers. As part of its strategic dialogue with healthcare companies, the Advisers encourage owners to maintain ongoing ownership stakes in partnership with Water Street as a means of both: (i) providing corporate parents or private-company owners with the opportunity to benefit from future value creation; and (ii) differentiating

the Advisers' discussion and proposed transaction from an outright sale. The Advisers expect to frequently structure their acquisitions as leveraged recapitalizations, allowing owners to achieve partial liquidity, while continuing to have meaningful equity stakes and remain involved in the governance of their companies. The Advisers believe that this structure is ideal for a larger corporation or entrepreneur who is looking for liquidity, but who also desires a financial partner to enhance the company's growth opportunities, affording it the ability to participate in value creation in the future.

Grow Portfolio Companies Through Strategic, Transformational Combinations. The Advisers seek to build market-leading companies focused on providing greater value to customers through broader product and/or service offerings, and greater geographic presence. Post-acquisition, the Advisers encourage and facilitate significant operating investments in the infrastructure of their portfolio companies to better position such companies for future growth and value creation. Portfolio companies also may receive additional and more comprehensive support through Water Street's Corporate Resources Group. The compensation of members of the Corporate Resources Group is described above under "Fees and Compensation — Management Fee." The Advisers also seek to improve the competitive position and financial performance of portfolio companies through transformational strategic acquisitions. The Advisers focus on strategically combining businesses that they believe will fundamentally improve the competitive position of such companies, including, without limitation, by focusing on such combinations that the Advisers believe will: (i) offer customers improved product offerings and/or greater geographic coverage to drive revenue growth; (ii) leverage production and purchasing power to improve gross margins; (iii) leverage distribution strength into profitable and proprietary licensing or distribution relationships; (iv) consolidate selling and marketing efforts to reduce costs, improve margins and improve customer coverage; and/or (v) enhance investments in research and development.

Drive Portfolio Company Performance. Post-closing, the Advisers will establish a detailed governance program that includes a regular calendar of organization planning, strategic planning, corporate development, executive compensation and operations analysis. Additionally, the Advisers seek to implement an authorities matrix that explicitly outlines approval authorities for management and ensures that the board of directors of a company (the "**Board**") gets appropriately involved in decisions of significance for each company. The Advisers will also develop, together with management, a reporting package that is focused on operating metrics that the Advisers believe are critical in monitoring the progress of the company. In most companies, an Employee Operating Partner, other operating executive from Water Street or an Operating Partner or Executive Advisor generally serves as a lead director, working closely with company management on operating and strategic priorities. In addition to its personnel, including the Employee Operating Partners, Water Street also seeks to supplement its knowledge, experience and contacts with a network of executives that serve as Operating Partners or Executive Advisors. Operating Partners and Executive Advisors are experienced industry executives, generally former Chief Executive Officers or senior executives of large healthcare companies, who work in a consulting role that is exclusive to Water Street, while Employee Operating Partners are full-time employees of Water Street. Operating Partners, Executive Advisors and Employee Operating Partners are active in due diligence on prospective investments, special projects with portfolio companies, portfolio company governance through Board roles and, in special cases, may serve as operating executives of portfolio companies. The compensation of Operating Partners, Executive Advisors and

Employee Operating Partners is described above under “Fees and Compensation — Management Fee.”

Exit Strategy. The Advisers seek to develop companies with the objective of building businesses that will become compelling and dynamic acquisition candidates, ideally for a strategic buyer. The Advisers believe that to accomplish this objective, a portfolio company must be a market leader, have the financial scale to be meaningful to a strategic buyer, provide attractive future growth and/or savings opportunities, and be run with the discipline and reporting standards of a public company. The Advisers believe that keeping management focused on the standards required for a successful, independent public company improves the strategic decisions made in the development of the company and best positions the business for sale to a strategic buyer. Although the Advisers will analyze whether a portfolio company is appropriate for public offering, the Advisers’ primary exit strategy is a cash sale, preferably to a strategic buyer.

Risks of Investment

A Partnership and its investors bear the risk of loss that the Advisers’ investment strategy entails. The risks involved with the Advisers’ investment strategy and an investment in a Partnership are detailed in such Partnership’s Memorandum. In general, these risks include, but are not limited to:

Business Risks. The Partnership’s investment portfolio is expected to consist primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.

Investment in Junior Securities. The securities in which the Partnership will invest may be among the most junior in a portfolio company’s capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect the Partnership’s investment once made.

Concentration of Investments. The Partnership will participate in a limited number of investments and intends to make most of its investments in one industry or one industry segment or within a short period of time. As a result, the Partnership’s investment portfolio could become highly concentrated, and, in such circumstances, the performance of a few holdings or of a particular industry likely would substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, the Partnership likely would invest in fewer portfolio companies and thus be less diversified.

General Risks of Investments in Healthcare Companies. While investments in healthcare companies offer the opportunity for significant gains, such investments also involve a high degree of business and financial risk and can result in substantial losses. Healthcare companies often face intense competition, including competition from companies with greater financial resources, more extensive research and development, sales and marketing, customer services and support and other capabilities and a larger number of qualified managerial and technical personnel. Companies in which the Partnership invests could deteriorate as a result of, among other factors, an adverse development in their business, a change in the competitive environment, or an economic downturn.

Healthcare Reform. Healthcare reform continues to be a significant factor in the profitability of companies in which the Partnership may invest. The efforts to reform the healthcare delivery system in the United States and Europe has resulted in increased pressure on healthcare providers and other participants in the healthcare industry to reduce costs. These competitive forces place constraints on the levels of overall pricing, and thus could have a material adverse effect on profit margins for the companies in which the Partnership invests.

Healthcare Regulation and Reimbursement. Various segments of the healthcare industry are (or may become) (i) highly regulated at both the federal and state levels in the United States and internationally, (ii) subject to frequent regulatory change and (iii) dependent upon various government or private insurance reimbursement programs. While the Partnership intends to make investments in companies that comply with relevant laws and regulations, certain aspects of their operations may not have been subject to judicial or regulatory interpretation. An adverse review or determination by any one of such authorities, or an adverse change in the regulatory requirements or reimbursement programs, could have a material adverse effect on the operations of the companies in which the Partnership invests. The U.S. healthcare industry continues to undergo significant changes designed to increase access to medical care, improve safety and contain costs. Generally, Medicare and Medicaid reimbursement levels have declined; the use of managed care has increased; distributors, manufacturers, healthcare providers and pharmacy chains have consolidated; and large purchasing groups are more prevalent. Finally, there is currently uncertainty surrounding the future of the U.S. Patient Protection and Affordable Care Act (the “**Affordable Care Act**”), and whether it will be repealed and replaced, any decisions with respect to the Affordable Care Act will have significant impact on the healthcare industry.

Healthcare Research and Innovation. The healthcare industry spends heavily on research and development. Research findings (e.g., regarding side effects or comparative benefits of one or more particular treatments, services or products) and technological innovation (together with patent expirations) may make any particular treatment, service or product less attractive if previously unknown or underappreciated risks are revealed, or if a more effective, less costly or less risky solution is or becomes available. Any such development could have a material adverse effect on the companies in which the Partnership invests.

Technological Change; Competition. The Partnership’s portfolio companies are likely to face competition from other companies or products based on product efficacy and/or safety profiles, the timing and scope of regulatory approvals, availability of supply, marketing and sales capability, reimbursement coverage, price and patent position. Others may develop technologies, which are, or in the future may be, the basis for products that will directly compete with or reduce the commercial market opportunity for the Partnership’s portfolio companies. For example, competition from larger and better capitalized pharmaceutical companies and more established biotechnology companies may be intense and may increase over time. Smaller companies may also prove to be significant competitors, particularly through collaborative arrangements with larger pharmaceutical and established biotechnology companies. Academic institutions, governmental agencies and other public and private research organizations also conduct research, seek patent protection and establish collaborative arrangements for clinical development and marketing, which can result in such competing products. These factors may materially adversely affect interests held by the Partnership.

Government Regulation; Risk of Drug Withdrawals. Pharmaceutical products are subject to extensive and rigorous regulation by United States local, state and federal regulatory authorities and by comparable foreign regulatory bodies. Regulatory clearance of a product is limited to those disease states and conditions for which the product is useful, as demonstrated through clinical studies. Marketing or promoting a drug for an unapproved indication is prohibited. Furthermore, clearance of a pharmaceutical product for marketing for a specific indication may entail ongoing requirements or post-marketing studies. Prior to the grant of such marketing approvals by the U.S. Food and Drug Administration (“FDA”) or corresponding regulatory authorities outside of the U.S., most pharmaceutical products must undergo extensive investigation and clinical trials to meet stringent safety and efficacy requirements. Also, the manufacturer of a pharmaceutical product and its manufacturing facilities are subject to approval, continual review and periodic inspections by the regulatory authorities. As a result, the frequency of product withdrawals is low. Nevertheless, there have been instances when discovery of previously unknown problems with a product, manufacturer or facility have resulted in temporary restrictions on the use or the manufacture of such product, including costly recalls or even withdrawal of the product from the market. Such events, whether voluntarily or mandated by a regulatory authority, typically result in an immediate reduction or discontinuation of revenues from the product worldwide. There can be no guarantee that the incidence of regulatory product removals will not occur, and if such an event were to occur, it would likely have a significant and adverse effect on the performance of a particular portfolio investment and could have a material adverse effect on the aggregate performance of the Partnership.

Lack of Sufficient Investment Opportunities. The business of identifying, structuring and completing private equity transactions is highly competitive and involves a high degree of uncertainty. It is possible that the Partnership will never be fully invested if enough sufficiently attractive investments are not identified. However, regardless of the extent to which the Commitments of the limited partners are invested (or drawn down to be invested), the limited partners will be required to bear the Management Fee during the investment period based on the aggregate amount of all Commitments to the Partnership and other expenses as set forth in the Governing Documents.

Illiquidity; Lack of Current Distributions. An investment in the Partnership should be viewed as an illiquid investment. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there typically will be no current return on the investment. Furthermore, the expenses of operating the Partnership (including any Management Fee payable to the General Partner) may exceed its income, thereby requiring that the difference be paid from the Partnership’s capital, including unfunded Commitments.

Leveraged Investments. The Partnership typically will make use of leverage by having a portfolio company incur debt to finance a portion of its investment in such portfolio company, including in respect of companies not rated by credit agencies. Leverage generally magnifies both the Partnership’s opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such

credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of the Partnership's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of the Partnership's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, the Partnership may suffer a partial or total loss of capital invested in the portfolio company, which likely would adversely affect the returns of the Partnership. Furthermore, should the credit markets be limited or costly at the time the Partnership determines that it is desirable to sell all or a part of a portfolio company, the Partnership may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which the Partnership will invest generally typically will not be rated by a credit rating agency. The Partnership, from time to time, will also borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt, a letter of credit or other forms of promise to provide funding) or otherwise be liable therefor, and in such situations, it is not expected that the Partnership would be compensated for providing such guarantee or exposure to such liability. The use of leverage by the Partnership also will result in interest expense and other costs to the Partnership that may not be covered by distributions made to the Partnership or appreciation of its investments. While Partnership-level borrowings generally will be interim in nature, asset-level leverage generally will not be subject to any limitations regarding the amount of time such leverage may remain outstanding. The Partnership is permitted to incur leverage on a joint and several basis with one or more other investment funds and entities managed by the General Partner or any of its affiliates and may have a right of contribution, subrogation or reimbursement from or against such entities. In addition, to the extent the Partnership incurs leverage (or provides such guaranties), such amounts, from time to time, will be secured by capital commitments made by the Partnership's investors and such investors' contributions may be required to be made directly to the lenders instead of the Partnership.

To the extent the Partnership provides bridge financing to facilitate portfolio company investments, it is possible that all or a portion of such bridge financing will not be recouped within the time period specified in the Governing Documents, in which case the investment would be treated as a permanent investment of the Partnership. As a result, the Partnership's portfolio could become more concentrated with respect to such investment than initially expected or otherwise provided for under the Partnership's investment limitations, certain of which exclude bridge financing investments.

Subscription Lines. The Partnership typically will enter into a subscription line with one or more lenders in order to finance its operations (including the acquisition of the Partnership's investments). Partnership-level borrowing subjects limited partners to certain risks and costs. For example, because amounts borrowed under a subscription line typically are secured by pledges of the relevant General Partner's right to call capital from the limited partners, limited partners may be obligated to contribute capital on an accelerated basis if the Partnership fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder.

Moreover, any limited partner claim against the Partnership would likely be subordinate to the Partnership's obligations to a subscription line's creditors.

In addition, Partnership-level borrowing will result in incremental partnership expenses that will be borne by investors. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a subscription line, an upfront fee for establishing a subscription line, and other one-time and recurring fees and/or expenses, as well as legal fees relating to the establishment and negotiation of the terms of the borrowing facility. Because a subscription line's interest rate is based in part on the creditworthiness of the Partnership's limited partners and the terms of the Governing Documents, it may be higher than the interest rate a limited partner could obtain individually. To the extent a particular limited partner's cost of capital is lower than the Partnership's cost of borrowing, Partnership-level borrowing can negatively impact a limited partner's overall individual financial returns even if it increases the Partnership's reported net returns in certain methods of calculation. Conflicts of interest have the potential to arise in that the use of Partnership-level borrowing typically delays the need for limited partners to make contributions to the Partnership, which in certain circumstances enhances the Partnership's internal rate of return calculations and thereby may be deemed to benefit the marketing efforts of the General Partner and its affiliates. Conflicts of interest also have the potential to arise to the extent that a subscription line is used to make an investment that is later sold in part to co-investors, as to the extent co-investors are not required to act as guarantors under the relevant facility or pay related costs or expenses, co-investors nevertheless stand to receive the benefit of the use of the subscription line and neither the Partnership nor investors generally will be compensated for providing the relevant guarantee(s) or being subject to the related costs, expenses and/or liabilities.

A credit agreement, from time to time, will contain other terms that restrict the activities of the Partnership and the limited partners or impose additional obligations on them. For example, a subscription line could impose restrictions on the relevant General Partner's ability to consent to the transfer of a limited partner's interest in the Partnership. In addition, in order to secure a subscription line, the relevant General Partner may request certain financial information and other documentation from limited partners to share with lenders. The General Partner will have significant discretion in negotiating the terms of any subscription line and, in certain circumstances, likely will agree to terms that are not the most favorable to one or more limited partners.

Partnership-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows the General Partner to fund investments and pay partnership expenses without calling capital, potentially for extended periods of time. Calling a large amount of capital at once to repay the then-current amount outstanding under a subscription line could cause short-term liquidity concerns for limited partners that would not arise had the relevant General Partner called smaller amounts of capital incrementally over time as needed by the Partnership. This risk would be heightened for a limited partner with commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the limited partner to meet the accumulated, larger capital calls at the same time. The Partnership is also permitted to utilize Partnership-level borrowing when the General Partner expects to repay the amount outstanding through means other than Limited Partner capital, including as a bridge for equity or debt capital

with respect to an investment. If the Partnership ultimately is unable to repay the borrowings through those other means, limited partners would end up with increased exposure to the underlying investment, which could result in greater losses.

Restricted Nature of Investment Positions. Generally, there will be no readily available market for Partnership investments, and hence, most of the Partnership's investments will be difficult to value. Certain investments may be distributed in kind to the partners of the Partnership and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such partners. After a distribution of securities is made to the partners of the Partnership, many partners may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such partners, from time to time, will be lower than the value of such securities determined pursuant to the Governing Documents, including the value used to determine the amount of carried interest available to the General Partner with respect to such investment.

Reliance on Portfolio Company Management. Although the General Partner will monitor the performance of each Partnership investment, it will primarily be the responsibility of each portfolio company's management team to operate such portfolio company on a day-to-day basis. Although the Partnership generally intends to invest in companies with strong management or recruit strong 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 accordance with the Partnership's objectives.

Projections. Projected operating results of a company in which the Partnership invests normally will be based primarily on financial projections prepared by such company's management, with adjustments to such projections made by the General Partner in its discretion. In all cases, projections are only estimates of future results that are based upon information received from the company and third parties and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

Need for Follow-On Investments. Following its initial investment in a given portfolio company, the Partnership often will 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, or as an equity cure under applicable debt documents or for other reasons). There can be no assurance that the Partnership will make follow-on investments or that the Partnership will have sufficient funds to make all or any of such investments. Any decision by the Partnership not to make follow-on investments or its 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 the Partnership to increase its participation in a successful portfolio company or the dilution of the Partnership's ownership in a portfolio company if a third party invests in such portfolio company.

Non-U.S. Investments. The Partnership is permitted to invest in portfolio companies that are organized or headquartered and/or have substantial sales or operations outside of the United States, its territories and possessions. Such investments will be subject to certain additional risk due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the Partnership), the application of complex U.S. and non-U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on the Partnership and/or the limited partners with respect to the Partnership's income, and possible non-U.S. tax return filing requirements for the Partnership and/or the limited partners.

Additional risks of non-U.S. investments include: (a) economic dislocations in the host country; (b) less publicly available information; (c) less well-developed and/or more restrictive laws, regulations, regulatory institutions and judicial systems; (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction; (e) civil disturbances; (f) government instability; and (g) nationalization and expropriation of private assets. Moreover, non-U.S. companies will not always be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

Director Liability. The Partnership will often seek to obtain the right to appoint one or more representatives to the board of directors (or similar governing body) of the companies in which it invests. Serving on the board of directors (or similar governing body) of a portfolio company exposes the Partnership's representatives, and ultimately the Partnership, to potential liability. Not all portfolio companies will obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from the Partnership's investment activities.

Uncertain Economic, Social and Political Environment. Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and may increase the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of the Partnership and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by the Partnership and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon the Partnership's portfolio companies.

Public Health Emergencies; COVID-19. Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, ebola and the current outbreak of COVID-19 (as defined below), have and are resulting in market volatility and disruption, and future such emergencies have the potential to materially and

adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to the Partnership.

Currently, there is an ongoing outbreak of a novel and highly contagious form of coronavirus (“**COVID-19**”), which the World Health Organization formally declared in March 2020 to constitute a global “pandemic.” This outbreak has caused a worldwide public health emergency, straining healthcare resources and resulting in extensive and growing numbers of infections, hospitalizations and deaths. In an effort to contain COVID-19, national, regional and local governments, as well as private businesses and other organizations, have taken severely restrictive measures, including instituting local and regional quarantines, restricting travel (including closing certain international borders), prohibiting public activity (including “stay-at-home” and similar orders), and ordering the closure of large numbers of offices, businesses, schools, and other public venues. As a result, COVID-19 has significantly diminished global economic production and activity of all kinds and has contributed to both volatility and a severe decline in all financial markets. Among other things, these unprecedented developments have resulted in material reductions in demand across most categories of consumers and businesses, dislocation (or in some cases a complete halt) in the credit and capital markets, labor force and operational disruptions, slowing or complete idling of certain supply chains and manufacturing activity, and strain and uncertainty for businesses and households.

The ultimate impact of COVID-19 — and the resulting precipitous decline in economic and commercial activity across several of the world’s largest economies — on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict, although ongoing and potential additional materially adverse effects, including a further global or regional economic downturn (including a recession) of indeterminate duration and severity, are possible. The extent of COVID-19’s impact will depend on many factors, including the ultimate duration and scope of the public health emergency and the restrictive countermeasures being undertaken, as well as the effectiveness of other governmental, legislative and financial and monetary policy interventions designed to mitigate the crisis and address its negative externalities, all of which are evolving rapidly and may have unpredictable results. Even if and as the spread of the COVID-19 virus itself is substantially contained, it will be difficult to assess what the longer-term impacts of an extended period of unprecedented economic dislocation and disruption will be on future macro- and micro-economic developments, the health of certain industries and businesses, and commercial and consumer behavior.

The ongoing COVID-19 crisis and any other public health emergency could have a significant adverse impact and result in significant losses to the Partnership. The extent of the impact on the Partnership and its portfolio companies’ operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors may limit the ability of the Partnership to source, diligence and execute new investments and to manage, finance and exit investments in the future, and governmental mitigation actions may constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy the Partnership intends to pursue, all of which could adversely affect the Partnership’s ability to fulfill its investment objectives. They may also impair the ability of portfolio companies or their counterparties to perform their respective obligations under debt

instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences. In addition, the operations of the Partnership, its portfolio companies, its General Partner and Water Street may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, restrictions on travel and movement, remote-working requirements and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity's personnel. These measures may also hinder such entities' ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

Market Conditions. The capital markets have experienced great volatility and financial turmoil. Moreover, governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) may have a negative effect on market conditions. General fluctuations in the market prices of securities and economic conditions generally may reduce the availability of attractive investment opportunities for the Partnership and may affect the Partnership's ability to make investments. Instability in the securities markets and economic conditions generally (including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates) may also increase the risks inherent in the Partnership's investments and could have a negative impact on the performance and/or valuation of the portfolio companies. The Partnership's performance can be affected by deterioration in the capital markets and by market events, such as the onset of the credit crisis in the summer of 2007 or the downgrading of the credit rating of the United States in 2011, which, among other things, can impact the public market comparable earnings multiples used to value privately held portfolio companies and investors' risk-free rate of return. Movements in foreign exchange rates may adversely affect the value of investments in portfolio companies and the Partnership's performance. Volatility and illiquidity in the financial sector may have an adverse effect on the ability of the Partnership to sell and/or partially dispose of its portfolio company investments. Such adverse effects may include the requirement of the Partnership to pay break-up, termination or other fees and expenses in the event the Partnership is not able to close a transaction (whether due to the lenders' unwillingness to provide previously committed financing or otherwise) and/or the inability of the Partnership to dispose of investments at prices that the General Partner believes reflect the fair value of such investments. The impact of market and other economic events may also affect the Partnership's ability to raise funding to support its investment objective.

Deterioration of Credit Markets May Affect Ability to Finance and Consummate Investments. The recent deterioration of the global credit markets has made it more difficult for investment funds such as the Partnership to obtain favorable financing for investments. A widening of credit spreads, coupled with the deterioration of the sub-prime and global debt markets and a rise in interest rates, has dramatically reduced investor demand for high yield debt and senior bank debt, which in turn has led some investment banks and other lenders to be unwilling to finance new private equity investments or to only offer committed financing for these investments on unattractive terms. The Partnership's ability to generate attractive investment returns will likely be adversely affected to the extent the Partnership is unable to obtain favorable financing terms for its investments. Moreover, to the extent that such marketplace events are not temporary and continue, they may have an adverse impact on the availability of credit to businesses generally and

could lead to an overall weakening of the U.S. and global economies. Such marketplace events also may restrict the ability of the Partnership to realize its investments at favorable times or for favorable prices.

Limited Access to Information. Limited partners' rights to information regarding the Partnership, the relevant General Partner or the Advisers generally will be specified, and in many cases strictly limited, by the Governing Documents. In particular, it is anticipated that the General Partner and its affiliates will obtain certain types of material information from or relating to the Partnership's investments that will not be disclosed to limited partners because such disclosure is prohibited, including as a result of contractual, legal or similar obligations outside of the Advisers' control. Decisions by the Advisers or their affiliates to withhold information may have adverse consequences for limited partners in a variety of circumstances. For example, a limited partner that seeks to transfer its interest in the Partnership may have difficulty in determining an appropriate price for such interest. Decisions to withhold information may also make it difficult for a limited partner to monitor the Advisers and their performance. Additionally, it is anticipated that limited partners that designate representatives to participate on the Partnership's advisory board generally may, by virtue of such participation, have more or earlier information about the Partnership and its investments in certain circumstances than other limited partners. Limited partners generally will bear the expenses of responding to disclosure requests, including in connection with state public records, similar freedom of information and other laws, whether or not the Partnership succeeds in asserting confidentiality for requested documents and other materials, and the Advisers reserve the right to withhold certain information from investors subject to such laws for reasons relating to the Advisers' public reputation, business strategy or other reasons.

Material Non-Public Information; Other Regulatory Restrictions. As a result of the operations of Water Street and its affiliates, as well as in connection with officerships or directorships of Water Street's personnel, Water Street, from time to time, comes into possession of confidential or material non-public information. Therefore, Water Street and its affiliates, from time to time, will have access to material, non-public information that is relevant to an investment decision to be made by the Partnership. Consequently, in such circumstances, the Partnership will be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or Water Street's internal policies.

Similarly, anti-money laundering, anti-boycott and economic and trade sanction laws and regulations in the United States and other jurisdictions may prevent the Advisers or the Partnership from entering into transactions with certain individuals or jurisdictions. The United States Department of the Treasury's Office of Foreign Assets Control ("OFAC") and other governmental bodies administer and enforce laws, regulations and other pronouncements that establish economic and trade sanctions on behalf of the United States. Among other things, these sanctions may prohibit transactions with or the provision of services to, certain individuals or portfolio companies owned or operated by such persons, or located in jurisdictions identified from time to time by OFAC. Additionally, antitrust laws in the United States and other jurisdictions give broad discretion to the U.S. Federal Trade Commission, the United States Department of Justice and other U.S. and non-U.S. regulators and governmental bodies to challenge, impose conditions on or reject certain transactions. In certain circumstances, antitrust restrictions relating to one

Partnership's acquisition of a portfolio company may preclude other Partnerships from making an attractive acquisition or require one or more other Partnerships to sell all or a portion of certain portfolio companies owned by them.

As a result of any of the foregoing, the Partnership may be adversely affected because of the Advisers' inability or unwillingness to participate in transactions that may violate such laws or regulations, or by remedies imposed by any regulators or governmental bodies. Any such laws or regulations may make it difficult or may prevent the Partnership from pursuing investment opportunities, require the sale of part or all of certain portfolio companies on a timeline or in a manner deemed undesirable by the Advisers or may limit the ability of one or more portfolio companies from conducting their intended business in whole or in part. Consequently, there can be no assurance that the Partnership will be able to participate in all potential investment opportunities that fall within its investment objectives.

Hedging Arrangements; Related Regulations. The General Partner is permitted to (but is not obligated to) endeavor to manage the Partnership's or any portfolio company's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. The Partnership typically will incur costs related to any such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter ("OTC") contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used. In some cases, particularly in OTC contexts, hedging arrangements will subject the Partnership to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose the Partnership to additional liquidity risks if such contracts cannot be adequately settled. Certain hedging arrangements may create for the General Partner and/or one of its affiliates an obligation to register with the U.S. Commodity Futures Trading Commission (the "CFTC") or other regulator or comply with an applicable exemption. Losses may result to the extent that the CFTC or other regulator imposes position limits or other regulatory requirements on such hedging arrangements, including under circumstances where the ability of a Partnership or a portfolio company to hedge its exposures becomes limited by such requirements.

Unfunded Pension Liabilities of Portfolio Companies. Certain court decisions have found that, where an investment fund owns 80% or more (or under certain circumstances less than 80%) of a portfolio company, such fund (and any other 80%-owned portfolio companies of such fund) might be found liable for certain pension liabilities of such a portfolio company to the extent the portfolio company is unable to satisfy such liabilities. Although Water Street intends to manage each Partnership's investments to minimize any such exposure, a Partnership may, from time to time, invest in a portfolio company that has unfunded pension fund liabilities, including structuring the investment in a manner where such Partnership may own an 80% or greater interest in such a portfolio company. If such Partnership (or other 80%-owned portfolio companies of such Partnership) were deemed to be liable for such pension liabilities, this could have a material adverse effect on the operations of the Partnership and the companies in which such Partnership invests. This discussion is based on current court decisions, statute and regulations regarding control group liability under the Employee Retirement Income Security Act of 1974, as amended,

as in effect as of the date of this Brochure, which may change in the future as the case law and guidance develops.

Valuation of Assets. There is not expected to be an actively traded market for most of the securities owned by each Partnership. When estimating fair value, the applicable General Partner will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. Valuations are subject to multiple levels of review for approval. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities ultimately may be sold. The exercise of discretion in valuation by the applicable General Partner gives rise to potential conflicts of interest, including in connection with determining the amount and timing of distributions of carried interest and the calculation of management fees.

Taxation of Service Provider Allocations. US federal income tax law treats certain allocations of capital gains to service providers by partnerships such as the Partnerships as short-term capital gain (taxed at higher ordinary income rates) unless the partnership in question has held the asset which generated such gain for more than three years. This could reduce the after-tax returns of individuals associated with the Partnerships, the Advisers, or General Partners who were or may in the future be granted direct or indirect interests in carried interest, which could make it more difficult for the General Partners and their affiliates to incentivize, attract and retain individuals to perform services for the Partnerships. This could also create an incentive for the Advisers' principals to cause the Partnerships to hold investments for a longer period than would be the case if such three-year holding period requirement did not exist.

Cybersecurity Risks. Cyber-attacks and other malicious internet-based activity continue to increase in frequency and magnitude. Recent events have illustrated such ongoing cybersecurity risks to which operating companies are subject. Techniques used to sabotage, or to obtain unauthorized access to, systems or networks change frequently and generally are not recognized until launched against a target. Therefore, companies, as well as their third-party partners (including vendors and portfolio companies), may be unable to anticipate these techniques, react in a timely manner, or implement adequate preventive measures. The General Partners' and their portfolio companies' information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, denial-of-service attacks, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes.

Although the General Partners have implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the applicable General Partner, the Partnership and/or a portfolio company likely will incur specific time or expense to fix or replace them and to seek to remedy the effects of such issues. To the extent that the applicable General Partner or a portfolio company is subject to cyber-attack or other unauthorized access is gained to a portfolio company's systems, it may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or portfolio company financial

information; (iii) portfolio company software, contact lists or other databases; (iv) portfolio company proprietary information or trade secrets; or (v) other items. In certain events, a portfolio company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Additionally, the applicable General Partner's, the Partnership's and/or a portfolio company's insurance coverage may be insufficient to compensate any such entity and its respective affiliates for incurred liabilities. Any of such circumstances could subject a portfolio company, or the Partnership, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at Water Street or one of its service providers holding its financial or investor data, Water Street, its affiliates and/or the Partnership may also be at risk of loss, despite efforts to prevent and mitigate such risks.

Privacy and Data Protection Law Compliance Risk. The adoption, interpretation and application of consumer protection, data protection and/or privacy laws and regulations ("**Privacy Laws**") in the United States, Europe and elsewhere could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and current and planned business activities of the Advisers, the General Partner, the Partnership and/or its portfolio companies, and increase compliance costs and require the dedication of additional time and resources to compliance for such entities. A failure to comply with such Privacy Laws by any such entity or their service providers could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations and overall business, as well as have a negative impact on reputation and Partnership performance. As Privacy Laws are implemented, interpreted and applied, compliance costs for the Advisers, the General Partner, the Partnership and/or its portfolio companies, are likely to increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

For example, California has passed the California Consumer Privacy Act of 2018, and the European Union (the "**EU**") has enacted the General Data Protection Regulation (EU 2016/679), each of which broadly impacts businesses that handle various types of personal data, potentially including private fund managers and their funds and investments. Such laws impose stringent legal and operational obligations on regulated businesses, as well as the potential for significant penalties.

Other jurisdictions, including other U.S. states, have proposed or are considering similar Privacy Laws, which if enacted could impose similarly significant costs, potential liabilities and operational and legal obligations. Such Privacy Laws and regulations are expected to vary from jurisdiction to jurisdiction, thus increasing costs, operational and legal burdens, and the potential for significant liability for regulated entities, which could include the Advisers, the General Partner, the Partnership and/or its portfolio companies.

*United Kingdom ("**UK**") Exit from the EU:* On March 29, 2017, the United Kingdom formally notified the European Council of its intention to leave the EU ("**Brexit**"). After a number of iterations, the European Commission and the UK's negotiators reached agreement on the terms of the UK's withdrawal from the EU, and these terms have been approved by the UK and EU Parliaments. The UK formally left the EU on January 31, 2020 after which the UK entered the transition period specified in the withdrawal agreement, which is scheduled to end on December

31, 2020. During this period, it is expected that the majority of the existing EU rules will continue to apply in the UK.

The terms of UK's exit from the EU are still uncertain, including UK's access to the EU single market permitting the exchange of goods and services between the UK and the EU. The UK expects to agree a deal on a future relationship with the EU by the end of the transitional period but whether this is possible is subject to disagreement by leaders of certain EU member states.

The future application of EU-based legislation to the private fund industry in the UK will depend, among other things, on how the UK renegotiates its relationship with the EU. There can be no assurance that any renegotiated laws or regulations will not have an adverse impact on the Partnership and its investments, including the ability of the Partnership to achieve its investment objectives.

The legal, political and economic uncertainty generally resulting from the UK's exit from the EU may adversely affect both EU and UK-based businesses, including the Advisers and portfolio companies. This uncertainty may also result in an economic slowdown and/or a deteriorating business environment in the UK and in one or more EU Member States.

Conflicts of Interest

Water Street and its related entities engage in a broad range of advisory and non-advisory activities. Water Street will devote such time, personnel and internal resources as are necessary to conduct the business affairs of the Partnerships in an appropriate manner, as required by the relevant Governing Documents, although the Partnerships and their respective investments will place varying levels of demand on these over time. In the ordinary course of the Advisers conducting their activities, the interests of a Partnership likely will conflict with the interests of the Advisers, one or more other Partnerships, portfolio companies or their respective affiliates in certain circumstances. Certain of these conflicts of interest are discussed herein. As a general matter, the Advisers will determine all matters relating to structuring transactions and Partnership operations using their best judgment considering all factors they deem relevant, but in their sole discretion, subject in certain cases to the required approvals by the advisory committees of the participating Partnerships.

During the investment period of a given Partnership, all appropriate investment opportunities that meet the investment criteria of the Partnership will be pursued by the Advisers through such Partnership, subject to certain limited exceptions set forth in the Governing Documents and the Advisers' allocation policies. Without limitation, the Advisers' principals currently, and expect in the future to, manage several investment vehicles and other investments similar to a given Partnership and those investments in which such Partnership invests. The Advisers' principals and the Advisers' investment staff will continue to manage and monitor such investment vehicles and such investments until their expiration or realization, as applicable. Such other investments that the Advisers' principals expect from time to time to control or manage generally have the potential to compete with companies acquired by a given Partnership. Following the investment period of a Partnership, the Advisers' principals reserve the right to, and likely will, focus their investment activities on other opportunities and areas unrelated to such Partnership's investments, possibly including successor funds. In addition, the Advisers'

principals likely will spend a portion of their business time and attention pursuing investment opportunities that do not fall within the investment objectives of a Partnership for other investment vehicles and other than on behalf of such Partnership. The Advisers believe that the significant investment of the Advisers' principals in a given Partnership, as well as the Advisers' principals' interest in the carried interest, operate to align, to some extent, the interest of the Advisers' principals with the interest of the limited partners of such Partnership, although the Advisers' principals have economic interests in such other investment vehicles and investments, as well, and generally receive management fees and carried interest relating to such other investment vehicles and investments.

From time to time, the Advisers will be presented with investment opportunities that would be suitable not only for a given Partnership, but also for other Partnerships and other investment vehicles operated by the Advisers. In determining which investment vehicles should participate in such investment opportunities and the amount of such participation, the Advisers and their affiliates are subject to conflicts of interest among the investors in such investment vehicles. Except as required by the Governing Documents, the Advisers are not obligated to recommend any investment to any particular investment vehicle. The Advisers attempt to resolve such conflicts of interest in light of their obligations to investors in the applicable Partnerships and other investment vehicles managed by the Advisers, and attempt to allocate investment opportunities among such Partnership(s) and such other investment vehicles in a fair and equitable manner. Where necessary, the Advisers consult and receive consent to conflicts from an advisory committee consisting of limited partners of the applicable Partnership(s) and such other investment vehicles.

The Advisers must first determine which Partnership(s) will, or are required to, participate in the relevant investment opportunity. The Advisers generally assess whether an investment opportunity is appropriate for a particular Partnership based on the Governing Documents, investment objectives, strategies, life-cycle and structure. For example, a newly organized Partnership generally will seek to purchase a disproportionate amount of investments until it is substantially invested.

Following such determination of allocation among Partnerships, the Advisers will determine if the amount of an investment opportunity in which a Partnership will invest exceeds the amount that would be appropriate for such Partnership, and the Advisers reserve the right to offer any such excess to one or more potential co-investors, as determined by the Governing Documents, side letter arrangements and the Advisers' policies and procedures regarding investment allocations and co-investments. The Advisers' procedures permit them to take into consideration a variety of factors in making such determinations, including but not limited to: expertise of the prospective co-investor in the industry to which the investment opportunity relates; perceived ability to quickly execute on transactions; tax, regulatory and/or securities law considerations (*e.g.*, qualified purchaser or qualified institutional buyer status); and other appropriate factors. Although the Advisers reserve the right to consider a prospective co-investor's willingness to invest in future Partnerships, such willingness generally will not be the sole determining factor considered by the Advisers in identifying co-investors.

Co-investment opportunities typically will be offered to some and not to other Partnership investors, and the consideration of the factors set forth above likely will result in certain investors

receiving multiple opportunities to co-invest while others expressing interest in co-investments have the potential to receive none. When and to the extent that employees and related persons of Water Street and its affiliates make capital investments in or alongside certain Partnerships, the Advisers and their affiliates are subject to potentially conflicting interests in connection with such investments. There can be no assurance that any Partnership's return from a transaction would be equal to and not less than another Partnership participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

The Advisers' allocation of investment opportunities among the persons and in the manner discussed herein often will not result in proportional allocations among such persons, and such allocations likely will be more or less advantageous to some such persons relative to others. While the Advisers will allocate investment opportunities in a manner that they believe to be fair and equitable to their clients under the circumstances over time and considering relevant factors, there can be no assurance that a Partnership'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 potential conflicts of interest to which the Advisers expect to be subject, discussed herein, did not exist.

In certain cases, the Advisers will have the opportunity (but, subject to any applicable restrictions or procedures in the Governing Documents, no obligation) to identify one or more secondary transferees of interests in a Partnership. In such cases, the Advisers will not receive compensation for identifying such transferees, and will use their discretion to select such transferees based on suitability and other factors similar to those employed in selecting co-investors, and unless required by the Governing Documents, will determine in their sole discretion whether the opportunity to receive a transfer of Partnership interests should be offered to one or more existing Partnership investors.

Potential conflicts are expected to arise when and to the extent a Partnership makes investments in conjunction with an investment being made by another Partnership, or if it were to invest in the securities of a company in which another Partnership has already made an investment. A Partnership may not, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Partnerships. This likely will result in differences in price, terms, leverage and associated costs. Further, there can be no assurance that the relevant Partnership(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. There can be no assurance that the return on one Partnership's investments will be the same as the returns obtained by any other Partnership(s) participating in a given transaction. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both Partnerships. In that regard, actions may be taken for one or more Partnerships that adversely affect other Partnerships.

Subject to any relevant restrictions or other limitations contained in the Governing Documents, the Advisers will allocate fees and expenses in a manner that they believe to be fair and equitable to their clients under the circumstances over time and considering such factors as they deem relevant, but in any case in their sole discretion. In exercising such discretion, the Advisers expect to be faced with a variety of potential conflicts of interest.

As a general matter, except with respect to the Co-Invest Fund as described in “Fees and Compensation,” Partnership expenses typically will be allocated among all relevant Partnerships or co-invest vehicles eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions generally will be made by the Advisers or their affiliates using their reasonable judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion, *e.g.*, in determining whether to allocate *pro rata* based on number of Partnerships or co-invest vehicles receiving related benefits or proportionally in accordance with asset size, or in certain circumstances determining whether a particular expense has greater benefit to a Partnership or the Advisers. The Partnerships generally have different expense reimbursement terms, including with respect to Management Fee offsets, which is expected from time to time to result in the Partnerships bearing different levels of expenses with respect to the same investment.

Because the General Partners’ carried interest is based on a percentage of certain net profits, it creates a potential incentive for the Advisers to cause the Partnerships to make riskier or more speculative investments than would otherwise be the case. Also, because there is a fixed investment period after which capital from investors in a Partnership may only be drawn down in limited circumstances and because the Management Fee is, at certain times during the life of a Partnership, based upon capital invested by such Partnership, this fee structure creates an incentive to deploy capital when the the General Partner of such Partnership may not otherwise have done so. Since the General Partners are permitted to retain certain Supplemental Fees (as described under “Fees and Compensation”) in connection with Partnership investments, the Advisers could have a conflict of interest in connection with approving transactions and setting such compensation. Additionally, the Advisers, their personnel, affiliates or others designated by the Advisers expect from time to time to receive compensation in the form of portfolio company securities. To the extent any such securities are received, after any applicable offset provisions in the relevant Governing Documents are applied (typically based on the then-present value of such securities), the Advisers and/or such other recipients will be permitted to retain such securities as Supplemental Fees, and in doing so will be subject to potential conflicts of interest in determining whether to sell such securities (subject to restrictions imposed by the portfolio company and/or the Advisers) or retain such securities for a period consistent with their own financial and investment objectives, which may differ from those of the relevant Partnership. The Advisers also could have a conflict of interest in allocating investment opportunities and related fees and expenses to the Partnerships and co-investors.

The Management Company reserves the right to cause its affiliates, including a Partnership, to purchase different classes of debt and/or equity of the same borrower or issuer. These and other investments create potential conflicts of interest, particularly because the Advisers’ principals and/or other employees of the Management Company reserve the right to take certain actions for affiliates with respect to one class of debt or equity that may be adverse to other affiliates who hold other classes of debt or equity of the same borrower or issuer. In such cases, the Advisers’ principals will seek to act in a manner they believe in to be fair to clients under the circumstances over time.

As a result of the Partnerships’ controlling interests in portfolio companies, Water Street and/or its affiliates typically have the right to appoint board members to such portfolio companies,

or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members (including current or former Water Street personnel or persons serving at their request) approve compensation and/or other amounts payable to Water Street and/or its affiliates. Except to the extent such amounts are subject to the Governing Documents' offset provisions, they will be in addition to any Management Fee or carried interest paid by a Partnership to its respective General Partner.

Additionally, a portfolio company typically will reimburse the Advisers or service providers retained at the Advisers' discretion for expenses (including without limitation travel expenses) incurred by the Advisers or such service providers in connection with the performance of services for such portfolio company. This subjects the Advisers and their affiliates to conflicts of interest because the Partnerships generally do not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. The Advisers determine the amount of these reimbursements for such services in their own discretion, subject to Water Street's internal reimbursement policies and practices.

The Advisers generally exercise discretion to recommend to a Partnership or to a portfolio company thereof that it contract for services with certain services providers, and from time to time such service providers are expected to include: (i) the Advisers or a related person of the Advisers (which may include a portfolio company of such Partnership), (ii) an entity with which Water Street or its affiliates or current or former members of their personnel has a relationship or from which Water Street or its affiliates or their personnel otherwise derive financial or other benefit, including relationships with joint venturers or co-ventureres, or relationships where the Advisers' personnel are seconded, or from which the Advisers receive secondees; or (iii) certain limited partners or their affiliates. For example, the Advisers expect to be presented with opportunities to receive financing and/or other services in connection with a Partnership's investments from certain limited partners or their affiliates that are engaged in lending or related business. This subjects the Advisers to conflicts of interest, because although the Advisers select service providers that they believe are aligned with their operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Partnership, the Advisers have a potential incentive to recommend the related or other person (including a limited partner) because of their financial or other business interest. There is a possibility that the Advisers, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Partnerships or Water Street), would favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. The Advisers will not necessarily seek out the lowest cost options when incurring (or causing a Partnership or its portfolio companies to incur) such expenses. Although the Advisers generally seek appropriate rates for services, they reserve the right to prioritize prior usage, perceived sector competence or expertise, familiarity, onboarding speed or other other factors in retaining or recommending service providers. In certain circumstances where the Advisers commit or have committed to seek "market" or "arms-length" rates or terms, the Advisers will do so in their sole discretion, seeking rates that they have determined in their sole discretion to be reflective of the range of rates in the applicable or related markets. Consequently, the Advisers undertake no minimum amount of benchmarking, and do not represent that any such benchmarking relates specifically to the assets or services to which such rates or terms relate. Whether or not the Advisers have a relationship or receive financial or other benefit from recommending a particular service provider, there can be

no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Although uncommon, the Advisers reserve the right from time to time to cause a Partnership to enter into a transaction whereby the Partnership purchases securities from, or sells securities to, other Partnerships managed by the Advisers, or co-investors or co-investment vehicles. Such transactions may arise in the context of automatic or other re-balancing of an investment among parallel investing entities or in contexts where a portfolio company owned by one Partnership is acquired by a portfolio company acquired by another Partnership. Certain of such transactions raise potential conflicts of interest, including where the investment of one Partnership supports the value of portfolio companies owned by another Partnership. These conflicts are heightened to the extent the relevant securities are illiquid or do not have a readily ascertainable value, and there generally can be no assurance that the price at which such transactions are entered into represent what would ultimately be the underlying investment's fair value. To the extent required by the Governing Documents or otherwise in the sole discretion of the Advisers, the Advisers reserve the right to seek to mitigate such conflicts by obtaining the consent of the applicable Partnership(s) (including, where authorized, the consent of each Partnership's advisory board) to such transactions. In certain circumstances, the Advisers reserve the right to determine that the willingness of a third party to make an investment on the same terms demonstrates the fairness of the relevant transaction to the Partnership under then-current market conditions. The Advisers intend that any such transactions be conducted in a manner that they believe to be fair and equitable to each Partnership under the circumstances, including a consideration of the potential present and future benefits with respect to each Partnership.

Although the Advisers generally structure Partnerships to avoid cross-guarantees and other circumstances in which one Partnership ultimately bears liability for all or part of the obligations of another Partnership, in certain circumstances lenders and other market parties negotiate for the right to face only select Partnership entities, which may result in a single Partnership being solely liable for other Partnerships' share of the relevant obligation and/or joint and several liability among Partnerships. In each such case, the Advisers intend to cause the relevant other Partnerships to enter into a back-to-back guarantee, indemnification or similar reimbursement arrangement, although the Partnership undertaking the obligation in the first instance generally will not receive compensation for being primarily liable under these arrangements.

Water Street and/or its affiliates reserve the right to employ personnel with preexisting ownership interests in portfolio companies owned by the Partnerships or other investment vehicles advised by Water Street and/or its affiliates; conversely, former personnel or executives of Water Street and/or its affiliates may from time to time serve in significant management roles at portfolio companies or service providers recommended by Water Street and/or its affiliates. Similarly, Water Street, its affiliates and/or personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including including but not limited to managers of private funds, banks, brokers, advisors, consultants, finders (including executive finders and portfolio company finders), executives, attorneys, accountants, institutional investors, family offices, lenders, current and former employees, and current and former portfolio company executives, as well as certain family members or close contacts of these persons. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, Water Street and/or its affiliates,

and/or the Partnerships or other investment vehicles they advise. Water Street and/or its affiliates expect to be subject to a potential conflict of interest with a Partnership in recommending the retention or continuation of a third-party service provider to such Partnership or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Partnerships, will provide Water Street and/or its affiliates with information about markets and industries in which Water Street and/or its affiliates operates (or are contemplating operations) or will provide other services that are beneficial to Water Street, its affiliates and/or one or more other Partnerships. Water Street and/or its affiliates expect to be subject to a potential conflict of interest in making such recommendations, in that Water Street and/or its affiliates has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for a Partnership, while the products or services recommended may not necessarily be the best available to a Partnership or its portfolio companies.

In certain circumstances, current or former Water Street personnel will be permitted to serve in interim or part-time roles at a portfolio company, or may provide services to a portfolio company as a secondee or in similar capacities, while maintaining certain benefits, support services or indicia of employment at Water Street. These arrangements have the potential to create conflicts of interest. Due to the nature of secondee relationships, which are often initiated to meet a temporary portfolio company need, the arrangements between such employees and the related portfolio company are expected to change over time, and in many cases will be terminated when the portfolio company is sold. Employees may or may not return to Water Street at the end of such secondee arrangement.

Water Street, its affiliates, and equity holders, officers, principals and employees of Water Street and its affiliates reserve the right to buy or sell securities or other instruments that the Advisers have recommended to a Partnership. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of any Partnership. Employees and related persons of Water Street have, and are expected to continue to have, capital investments in or alongside certain Partnerships, or in prospective portfolio companies directly or indirectly, as well as in investment vehicles (including private funds) sponsored by potential competitors, and therefore may have additional conflicting interests in connection with those investments.

In addition, as described above, portfolio companies (and, to a lesser extent, the Partnerships) from time to time pay certain fees to certain consultants (including consultants introduced or arranged by Water Street and/or its affiliates that may regularly provide services to one or more portfolio companies, such as Operating Partners and Executive Advisors, senior advisers and members of the Corporate Resources Group), and such fees will not offset the Management Fee as described herein. Such consultants generally are permitted to make use of Water Street's resources or otherwise be associated with (and in the case of members of the Corporate Resources Group be employed by) Water Street and/or its affiliates. Such compensation is expected to include cash fees and equity-based compensation. Although the use of such consultants and the allocation of compensation paid to them by Water Street, its affiliates and/or the portfolio companies subjects Water Street to potential conflicts of interest, Water Street believes that such potential conflicts may be reduced by the anticipated cost savings to portfolio companies (which is expected to be to the benefit of the applicable Partnership(s)) that will result if the cost of such consultant(s) is lower than market rates for the services provided and/or if the services of such consultant(s) align with Water Street's model for the applicable portfolio company

and improve such portfolio company's performance. Although Water Street seeks to retain such consultants with a view to reducing costs to portfolio companies (and, ultimately, the Partnerships) and/or improving portfolio company performance, a number of factors may result in limited or no cost savings from such retention. Water Street also seeks to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that Water Street believes will align such persons' interests with those of the Partnerships' limited partners, and seeks to retain consultants which it believes provide a level of service at a value generally consistent with other relevant market alternatives. However, there can be no assurance that no other consultant is more qualified to provide the applicable services or could provide such services at a lesser cost.

An Adviser, from time to time, will enter into side letter arrangements with certain investors in a given Partnership providing such investors with different fee structures (including discounted or rebated compensation terms), information rights, specialized reporting, priority co-investment rights or targeted co-investment amounts, and liquidity or transfer rights. Side letters may also relate to strategic relationships under which an investor agrees to make capital commitments to multiple Partnerships. Except where required by Governing Documents, other investors will not receive copies of side letters or related provisions, and as a general matter, the other investors have no recourse against a Partnership, the relevant General Partner or any of their affiliates in the event that certain investors have received additional and/or different rights and/or terms as a result of such Side Letters. As a consequence of one or more limited partners being excused or excluded, or from regulatory or other factors limiting their participation in investments, the aggregate returns realized by participating limited partners could be adversely affected in a material manner by the unfavorable performance of particular investments.

Water Street has instituted a program under which portfolio companies owned by the Partnerships are given the option to participate in purchasing, vendor or similar arrangements with Water Street, its affiliates and other portfolio companies. Program participants expect to receive discounts negotiated with various vendors and service providers on a group wide basis. Water Street and its affiliates also participate in the program in exchange for an allocable portion of such costs, and receive similar benefits and discounts as the portfolio companies participating therein. No such amounts will offset or reduce the Management Fee. Water Street believes the potential for conflicts relating to such arrangements is mitigated by the anticipated cost savings to portfolio companies (which is expected to be to the benefit of the applicable Partnership(s)) that will result if the rates for goods and services are discounted relative to those widely available in the market.

Water Street has incentives to use or to recommend products or services of one portfolio company to another, which could involve fees, commissions, servicing payments or other compensation. Potential conflicts of interest arise in making such recommendations, as Water Street has incentives to maintain goodwill between it and its former, existing and prospective portfolio companies, and as a result the products or services recommended could not necessarily be the best or lowest cost option. Discounted prices or better terms offered by a portfolio company to Water Street, any other portfolio company or third parties have the potential to affect the returns of the portfolio company.

Any of these situations subjects Water Street and/or its affiliates to potential conflicts of interest. Water Street and its affiliates attempt to resolve such conflicts of interest in light of their

obligations to investors in the Partnerships and the obligations owed by Water Street's advisory affiliates to investors in investment vehicles managed by them, and attempt to allocate investment opportunities among a Partnership and such other investment vehicles in a manner it believes to be fair and equitable manner to the Partnerships under the circumstances over time. To the extent that an investment or relationship raises particular conflicts of interest, Water Street and/or its affiliates will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, Water Street and/or its affiliates consult and receive consent to conflicts from an advisory committee consisting of limited partners of the relevant Partnership and such other investment vehicles.

DISCIPLINARY INFORMATION

The Management Company and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

The Management Company serves as the general partner of each of the General Partners, each of which is registered with the SEC under the Advisers Act pursuant to the Management Company's registration in accordance with SEC guidance. The Management Company and the General Partners operate as a single investment advisory business and the General Partners serve as general partners of private investment funds and other pooled vehicles or of other affiliated investment advisers and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

The Advisers have adopted the Water Street Code of Ethics and Securities Trading Policy and Procedures (the "**Code**"), which sets forth standards of conduct that are expected of the Advisers' principals and employees and addresses conflicts that arise from personal trading. The Code requires certain of the Advisers' personnel to:

- report their personal securities transactions;
- pre-clear any proposed purchase of an initial public offering or a limited offering; and
- comply with policies and procedures reasonably designed to prevent the misuse of, or trading upon, material non-public information.

A copy of the Code will be provided to any investor or prospective investor upon request to Jeff Holway, the Water Street Chief Compliance Officer, at (312) 506-2900. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client's interests in client-eligible investments.

The Advisers and their affiliated persons likely will come into possession, from time to time, of material nonpublic or other confidential information about companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, the Advisers and their affiliated persons would be prohibited from improperly disclosing or using such

information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of the Advisers. Accordingly, should the Advisers or any of their affiliated persons come into possession of material nonpublic or other confidential information with respect to any company, the Advisers generally would be prohibited from communicating such information to clients, and the Advisers will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of Water Street personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Partnerships.

Principals, Operating Partners, Executive Advisors and employees of the Advisers and their affiliates are expected to directly or indirectly own an interest in Partnerships or certain co-investment vehicles. To the extent that co-investment vehicles exist, such vehicles are expected to invest in one or more of the same portfolio companies as a Partnership. Operating Partners, Executive Advisors and Employee Operating Partners could also own direct interests in portfolio companies.

Co-investment opportunities are also expected to be presented to certain affiliates of Water Street, as well as third-party investors and other persons, and such co-investments may be effected through co-investment vehicles or directly in a particular portfolio company. The Partnerships are permitted to invest together with other investment vehicles advised by an affiliated adviser of Water Street in the manner set forth in the Governing Documents. In addition, certain Operating Partners, Executive Advisors, other consultants, employees of Water Street that are not partners of the General Partners and members of the Corporate Resources Group may be offered the opportunity to co-invest in each portfolio company investment of the Partnerships. The Advisers will determine allocation of investment opportunities in a manner that they believe is fair and equitable to their clients under the circumstances over time, consistent with the Advisers' fiduciary obligations and Water Street's Investment Allocations/Co-Investment Policy. In the case of co-investments, the Advisers are permitted to grant certain third-party investors the opportunity to evaluate specified amounts of prospective co-investments in a Partnership's portfolio companies or otherwise to have priority in co-investment opportunities. Co-investors described above typically do not pay management fees or carried interest.

The Advisers and their affiliates, principals and employees expect from time to time to carry on investment activities for their own accounts, for personal or employee investment vehicles and, potentially, for family members, friends or others who do not invest in the Partnerships, as well as give advice and recommend securities to other accounts or certain vehicles which may differ from advice given to, or securities recommended or bought for, any Partnership, even though their investment objectives may be the same or similar. The Governing Documents and investment programs of certain Partnerships generally restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of certain other vehicles in issuers held by such Partnerships or may give priority with respect to investments to such Partnerships or be subject to limitations (*e.g.*, by time or percentage of capital deployed). Some of these restrictions could be waived by investors (or their representatives) in such Partnerships.

From time to time, the General Partners reserve the right to advance funds on behalf of the Partnerships and contribute such amounts to the Partnerships as a special interim capital

contribution for investment, to be returned to the General Partner at a later date. Interest in connection with such borrowing is typically borne by the Partnerships as a Partnership expense, consistent with the applicable Governing Documents and the expense policy described under “Fees and Compensation.”

In borrowing on behalf of the Partnerships, the General Partners are subject to conflicts of interest between repaying their obligations and retaining such amounts for the benefit of the Partnerships, as applicable, and in circumstances where interest accrues on any such outstanding borrowings at a rate lower than the relevant Partnership’s preferred return, are expected to have incentives to cause the Partnership to borrow in this manner rather than drawing down capital commitments. Where a preferred return begins to accrue after capital contributions are due (regardless of when the Partnership borrows, makes the relevant investment or pays expenses) and ceases to accrue upon return of these capital contributions, the use of borrowing to shorten the period between calling and returning capital limits the amount of time the preferred return will accrue. In circumstances where there is not a preferred return on funds borrowed in advance or in lieu of calling capital, Partnership-level borrowing typically will reduce the amount of preferred return to which the limited partners would otherwise be entitled had the General Partner called capital, and thus could result in the relevant General Partner receiving carried interest sooner than it would without borrowing. In addition, when the Management Fee is calculated as a percentage of invested capital, a limited partner may pay Management Fees on borrowed amounts used to fund investments that have not yet been realized even though such amounts would not accrue preferred return as described above. It is expected that the costs relating to the establishment and/or maintenance of a subscription line of credit will be significant, and there can be no assurance that the benefits to limited partners will be commensurate with such costs.

The General Partners will effect such borrowings consistent with a Partnership’s Governing Documents and in a manner that they believe to be fair and equitable under the circumstances to the Partnerships, and consistent with the General Partners’ obligations to the Partnerships under the Governing Documents.

BROKERAGE PRACTICES

The Advisers focus on securities transactions of private companies and generally purchase and sell such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, the Advisers reserve the right to also distribute securities to investors in a Partnership or sell such securities, including through using a broker-dealer, such as where a public trading market exists. Although the Advisers do not intend to regularly engage in public securities transactions, to the extent they do so, they intend to follow the brokerage practices described below.

If the Advisers sell publicly traded securities for a Partnership, they are responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Advisers. In such event, the Advisers will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, the Advisers may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) responsiveness to requests for trade data and other financial information.

The Advisers have no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or “posted” commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although the Advisers generally seek competitive commission rates, they may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with the Advisers seeking to obtain best execution, brokerage commissions on client transactions are permitted to be directed to brokers in recognition of research furnished by them, although the Advisers generally do not make use of such services at the current time and have not made use of such services since their inception.

The Advisers do not anticipate engaging in significant public securities transactions; however, to the extent that the Advisers engage in any such transactions, orders for purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for Partnerships are completed independently, the Advisers also reserve the right to purchase or sell the same securities or instruments for several Partnerships simultaneously. From time to time, the Advisers expect, but are not obligated, to purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or “batched” to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Partnership of the Advisers is favored over any other Partnership. When an aggregated order is filled in its entirety, each participating Partnership generally will receive the average price obtained on all such purchases or sales made during such trading day. To the extent such orders are not batched, they may have the effect of increasing brokerage commissions or other costs.

When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a *pro rata* basis to each Partnership participating in such buy or sell order in accordance with the amount of securities originally requested for such Partnerships.

Each Partnership generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to *pro rata* allocations are permissible provided the Advisers believe they are fair and equitable to the Partnerships under the circumstances over time.

REVIEW OF ACCOUNTS

The investments made by the Partnerships are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, the Advisers closely monitor companies in which the Partnerships invest, and the Water Street Chief Compliance Officer periodically checks to confirm that each Partnership is maintained in accordance with its stated objectives.

The Partnerships will provide to their limited partners (i) GAAP audited financial statements annually, (ii) unaudited financial statements for the first three quarters of each fiscal year, (iii) annual tax information necessary for each limited partner's tax returns, and (iv) descriptive investment information for each portfolio company periodically.

CLIENT REFERRALS AND OTHER COMPENSATION

The Advisers and/or their affiliates intend to provide certain business or consulting services to companies in the Partnerships' respective portfolios and expect to receive compensation from these companies in connection with such services. As described in the applicable Governing Documents, this compensation may, in many cases, offset a portion of the Management Fee paid by such Partnership. However, in other cases (*e.g.*, reimbursements for out of pocket expenses directly related to a portfolio company or with the Partnership's advisory board consent), these fees are in addition to the Management Fee. See "Fees and Compensation."

The Advisers reserve the right from time to time to enter into solicitation arrangements pursuant to which they compensate third parties for referrals that result in a potential investor becoming a limited partner in an applicable Partnership. Any fees payable to any such placement agents generally are borne by the Advisers indirectly through an offset against the Management Fee under the Governing Documents, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, typically are borne by the relevant Partnership(s).

CUSTODY

The Advisers maintain custody of the Partnerships' assets held in the Partnerships' names with the following qualified custodians: Merrill Lynch, Pierce, Fenner & Smith Inc., located at 101 California Street, Suite 1300, San Francisco, CA 94111 and BMO Harris Bank, located at 111 West Monroe St., 9th Floor East, Chicago, IL 60603.

INVESTMENT DISCRETION

The Advisers have discretionary authority to manage investments on behalf of each Partnership. As a general policy, the Advisers do not allow limited partners to place limitations on this authority. Pursuant to the terms of the Governing Documents, however, an Adviser has entered, and expects to enter, into "side letter" arrangements with certain limited partners whereby the terms applicable to such limited partner's investment in a Partnership are altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. The Advisers assume this authority pursuant to the terms of the Governing Documents and powers of attorney executed by the limited partners of each Partnership.

VOTING CLIENT SECURITIES

The Advisers have adopted the Water Street Proxy Voting Policies and Procedures (the "**Proxy Policy**") to address how they will vote proxies, as applicable, for the Partnerships' portfolio investments. The Proxy Policy seeks to ensure that the Advisers vote proxies (or similar instruments) in the best interest of the Partnerships, including where there may be material conflicts of interest in voting proxies. The Advisers generally believe their interests are aligned

with those of the Partnerships' investors, for example, through the principals' beneficial ownership interests in the Partnerships and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that the Advisers may address the conflict using several alternatives, including by seeking the approval or concurrence of a Partnership's advisory board on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. The Advisers do not consider service on portfolio company boards by Water Street personnel or the Advisers' receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by the Advisers when voting proxies on behalf of the Partnerships. Investors or prospective investors should contact Jeff Holway, the Water Street Chief Compliance Officer, at (312) 506-2900, if they would like a copy of the Advisers' complete Proxy Policy or information regarding how the Advisers voted proxies for particular portfolio companies. Such information will be provided to such persons at no charge.

FINANCIAL INFORMATION

The Management Company does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.