

***Item 1. Cover Page***

**Golden Gate Private Equity, Inc.**

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Part 2A of Form ADV: Firm Brochure  
March 30, 2020

*This brochure (“Brochure”) provides information about the qualifications and business practices of Golden Gate Private Equity, Inc. If you have any questions about the contents of this Brochure, please contact us by phone at (415) 983-2700. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.*

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

## ***Item 2. Material Changes***

This Brochure, dated March 30, 2020, serves as an update to the Adviser's Brochure dated June 12, 2019. This Brochure contains certain updates which may be material including, but not limited to:

- Items 4 and 8: Clarifying that the Adviser has granted AICM investment discretion over the Treasury Portfolio;
- Item 5: Clarifying how Advisory Fees are calculated and allocated among investors in certain of the Funds, and also incorporating new and revised disclosures regarding fees and expenses borne by the Funds (as defined below) and PE Fund (as defined below) portfolio companies;
- Item 8: Identifying new and revised risks associated with investments in the Funds;
- Item 11: Identifying new and revised potential conflicts of interest and considerations in respect of the resolution thereof; and
- Item 12: Identifying new and revised factors the Adviser takes into account in determining whether a particular broker or dealer is likely to provide best execution in a particular transaction.

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

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#### ***Item 4. Advisory Business***

For purposes of this Brochure, the “Adviser” means Golden Gate Private Equity, Inc. (“Golden Gate”) together (where the context permits) with its affiliated general partners of the Funds (as defined below) and other affiliates (excluding certain other registered investment advisers that may be deemed to be affiliates of Golden Gate, including, but not limited to, Angel Island Capital Management, LLC (“AICM”)) that provide advisory services to and/or receive advisory fees and other compensation from the Funds. Such affiliates may or may not be under common control with Golden Gate, but possess a substantial identity of personnel and/or equity owners with Golden Gate. These affiliates may be formed for tax, regulatory or other purposes in connection with the organization of, or the advisory services provided to, the Funds, or may serve as general partners (or equivalent) of the Funds (the “General Partners”).

The Adviser provides investment supervisory services to (i) funds that primarily make private equity investments (collectively, the “PE Funds”), (ii) funds that invest in public equity securities and may in certain instances employ leverage in connection with such investment activities (collectively, “Emerald Gate”), and (iii) other pooled vehicles (which include portfolio companies of the PE Funds among their investors) that are intended to be used primarily for cash management purposes and that invest a portion of their assets in debt securities and other indebtedness but do not, as of the date hereof, employ leverage (collectively, the “Treasury Products” or “Treasury Portfolio” and together with the PE Funds and Emerald Gate, the “Funds” or the “Clients”). Additionally, the Adviser expects, from time to time, to organize and serve as general partner (or in an analogous capacity) of certain other entities which are AIVs (as defined below) organized to address, for example, specific tax, legal, business, accounting or regulatory-related matters that may arise in connection with a transaction or transactions. Unless otherwise noted, references contained in this Brochure to “portfolio companies” are references to portfolio companies of the PE Funds.

The General Partners each serve as general partner to one or more Funds and have the authority to make the investment decisions for the Funds to which they provide advisory services. In general, the Adviser provides the day-to-day advisory services for the Funds. As described elsewhere herein, the Adviser also expects in certain instances to establish (and, in the case of AICM, has established) sub-advisory relationships with certain other investment advisers, including, but not limited to, AICM, pursuant to which such investment adviser(s) would provide investment advisory services to one or more of the Funds and/or certain portfolio company investment vehicles.

Each General Partner is deemed registered under the Investment Advisers Act of 1940, as amended (the “Advisers Act”), pursuant to the Adviser’s registration in accordance with SEC guidance and is under common control with the Adviser. This Brochure describes the business practices of the Adviser and the General Partners which operate as a single advisory business. References contained in this Brochure to the strategy and operations of a General Partner should be read to include the activities of the Adviser and other Golden Gate affiliates that collectively engage in the investment process and ongoing management of the PE Funds’ portfolio companies and other Fund investments.

The PE Funds make investments in private equity and, in certain instances, other indebtedness or equity and debt securities of public and private issuers (including securities convertible into equity and debt securities), derivative instruments and any other financial instruments or assets (including real estate) that the Adviser believes may help achieve the PE Funds' respective investment objectives. In accordance with the PE Funds' respective investment objectives, investments are made in companies doing business in a variety of industries, including, without limitation: consumer products; financial services (including insurance, asset management and broker-dealer services); industrials; software, information systems and tech-enabled services.

Emerald Gate, in which certain of the Adviser's employees, operating partners, operating executives, strategic partners, and other outside investors invest, consists of a fund which invests in publicly traded equity securities (including securities convertible into equity securities and/or derivative instruments) and which may in certain instances employ leverage in connection with its investment portfolio.

The Treasury Products are intended to be used primarily for cash management purposes and generally utilize a comparatively low-risk investment strategy (relative to the PE Funds) intended to provide modest returns on certain pooled capital which would otherwise be idle in Fund, management company, portfolio company, or holding company accounts. The Adviser has engaged AICM to serve as sub-adviser to the Treasury Products and has granted AICM investment discretion over the Treasury Portfolio. AICM's investment mandate is to invest a majority of the Treasury Portfolio assets in indebtedness or debt securities of companies and industries of which AICM has significant knowledge and expertise. That portion of the Treasury Portfolio that is not invested in indebtedness or debt securities is generally maintained in cash, short-term U.S. Treasury securities, bank repurchase agreements and other similarly liquid securities.

More detailed descriptions of the Funds' investment strategies are included in Item 8 below.

The Adviser's advisory services consist of investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of the Funds, managing and monitoring the performance of such investments and disposing of such investments. The Adviser typically will serve as the investment adviser or general partner to the Funds in order to provide such services, and, with respect to certain Funds, the Adviser expects in certain instances to delegate (and, in the case of AICM, has delegated) such responsibilities to a sub-adviser (including, but not limited to, AICM and other portfolio company asset managers).

The Adviser provides investment supervisory services to each Fund in accordance with the limited partnership agreement (or analogous organizational document) of such Fund, separate investment and advisory, investment management or portfolio management agreements and/or side letters entered into with certain Funds or their investors (each, a "Governing Document").

Investment advice is provided directly to the Funds and not individually to the investors in the Funds. Services are provided to the Funds in accordance with the Governing Documents.

Investment restrictions for the Funds, if any, are generally established in the Governing Documents.

The terms of the investment advisory services to be provided to a Fund, including any restrictions

on investments in certain types of securities, are generally established by the Adviser and modified by negotiations with investors in the applicable Fund, and are set forth in such Fund's Governing Documents and other documentation received by each investor prior to investment in such Fund. Once invested in a Fund, investors cannot impose restrictions on the types of securities in which such Fund may invest.

The principal owner of Golden Gate is David Dominik. The Adviser has been in business since 2000. As of January 2020, the Adviser had approximately \$13 billion of regulatory assets under management, all of which was managed on a discretionary basis (though the Adviser expects in certain instances to delegate (and, in the case of AICM, has delegated) day-to-day investment advisory responsibility for all or a portion of certain Funds to a sub-adviser, including, but not limited to, AICM and other portfolio company asset managers).

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

The Adviser or its affiliates generally receive Advisory Fees and Incentive Allocations (each as defined below) or similar performance-based remuneration from a Fund. A Fund and/or its portfolio companies generally also make other payments to the Adviser, its affiliates or certain other parties (including Nob Hill Law Group, P.C., operating partners and/or operating executives) for services provided to the portfolio companies which, in certain circumstances, serve to reduce the Advisory Fees payable to the Adviser. Additionally, consistent with the Governing Documents of a Fund, each Fund typically bears certain out-of-pocket expenses incurred by the Adviser in connection with the services provided to such Fund and/or the portfolio companies. Further details about certain common fees and expenses are set forth below.

#### **Advisory Fees; Other Fees**

As compensation for investment supervisory services rendered to the Funds, the Adviser receives an advisory fee (each, an "Advisory Fee") from some, but not all, of the Funds, typically calculated as a percentage of the sum of (i) committed capital and (ii) remaining invested capital and allocated among investors in a Fund based on their respective capital accounts. In certain instances, Advisory Fees are reduced during the life of a Fund and/or reduced by other fees or compensation received by the Adviser, its affiliates or certain other parties (as disclosed elsewhere herein) that relate to such Fund's activities and investments, or by certain excess organizational or other categories of expenses borne by such Fund, as described in more detail below. Advisory Fees and expenses paid by a Fund are indirectly borne by investors in such Fund.

In addition, the Adviser, its affiliates and/or their personnel typically perform certain management, advisory, financial advisory or legal and other services for, and receive fees ("Corporate Service Fees") from, actual or prospective portfolio companies or other investment vehicles of the PE Funds, and typically perform certain transaction-related activities and receive fees in connection with structuring investments in portfolio companies, as well as mergers, acquisitions, add-on acquisitions, refinancings, public offerings, sales, divestments or other similar dispositions, recapitalizations and similar transactions with respect to such portfolio companies ("Transaction Fees").

The Adviser and its affiliates from time to time receive fees in connection with an unconsummated transaction (“Break-Up Fees”, together with Corporate Service Fees, Transaction Fees and any applicable consulting fees, organization and financing fees, operation fees, commitment fees, topping fees, divestment fees, termination fees, project fees, fees relating to the arrangement of acquisitions or other financial restructuring, investment banking fees, fees relating to credit origination, loan syndication, loan servicing and/or other types of similar operational and financial matters and/or other fees and annual retainers from, or with respect to, portfolio companies and prospective portfolio companies, “Other Fees”) of a PE Fund. The amount and timing of Break-Up Fees received by the Adviser are generally specified in the agreement or other documentation governing the transaction.

Generally, under the terms of the applicable Governing Documents, these Other Fees are in addition to out-of-pocket costs and expenses incurred by the Adviser in connection with any consummated or unconsummated (including terminated) transaction or in connection with generating any such fees. These Other Fees may be substantial and may be paid in cash, in securities of the portfolio companies or investment vehicles (or rights thereto) or otherwise. Although these fees are in addition to the Advisory Fees, the Adviser will in some circumstances reduce or offset the amount of Advisory Fees paid by the applicable PE Fund in connection with the receipt of such fees. However, pursuant to the Governing Documents of certain PE Funds, the Adviser will retain certain Other Fees without any corresponding Advisory Fee offset. The amount and manner of such reduction is set forth in the Governing Documents of the applicable PE Fund and in certain circumstances vary based on the type of services, which will be determined by the Adviser. As some PE Funds do not pay Advisory Fees, any such reduction will not benefit such PE Funds. There are also certain circumstances (such as the occurrence of an initial public offering or strategic exit) which may accelerate the payment of Corporate Service Fees. Since the agreements with the portfolio companies providing for such Corporate Service Fees may have prolonged terms (possibly exceeding ten years and/or subject to automatic extensions and renewal), the effect of such acceleration could be substantial, particularly in the event such circumstances occur early in the life of the PE Fund’s investment in such portfolio company. In the event that a portfolio company does not have sufficient capital to pay a Corporate Service Fee owed, the applicable PE Fund’s indirect pro rata portion of such payment may be funded by such PE Fund through a capital call for contribution of capital by the investors in such PE Fund.

The payment of Other Fees by portfolio companies creates a conflict of interest between the Adviser and its affiliates and the PE Funds and their investors because the amounts of these Other Fees and reimbursements (see below) are often substantial and the PE Funds and their investors generally do not have a direct interest in these fees and reimbursements. The Adviser determines the amount of these fees for the services provided and reimbursements in its own discretion, subject to agreements with sellers, buyers, and management teams, the board of directors of or lenders to portfolio companies, and/or third party co-investors in its transactions, and the amount of such fees and reimbursements are generally not (except in connection with the reductions described throughout this Brochure) required to be disclosed to investors in the PE Funds. From time to time, the Adviser will, in its discretion, disclose to an investor the amount of Other Fees allocated to the PE Fund in which such investor has invested in account statements or other similar periodic reports delivered to investors.

Additionally, portfolio companies commonly reimburse the Adviser for certain expenses (including, without limitation, certain travel and travel-related expenses, which have historically, and may in the future, include expenses for chartered or first class travel incurred by the Adviser, meals and entertainment expenses (including, as applicable, closing dinners and mementos, cars and meals, social and entertainment events with, inter alia, portfolio company personnel, customers, clients, borrowers, brokers, other financial sponsors and service providers), expenses relating to training programs, meetings or other events (to the extent such programs, meetings or events are attended by portfolio company personnel), expenses relating to hiring portfolio company personnel (including background checks, recruiting, relocation expenses and placement fees), indemnification expenses, certain legal and similar out-of-pocket expenses, consulting fees and other cash and non-cash compensation and expenses, or reimbursement of the payment by the Adviser for payments made to its employees, consultants, operating partners and/or operating executives in connection with their performance of services for such portfolio companies, as well as consulting fees and expenses incurred by the applicable Fund for the benefit of any portfolio company); such reimbursed expenses are generally not included in the definition of “Other Fees” under the terms of the applicable Governing Documents and such reimbursements are generally not subject to the offset arrangements described above; provided, however, that with respect to certain contracts entered into by the Adviser and/or PE Fund portfolio companies on or after a specified date, consistent with the applicable terms of the relevant Governing Documents, payments made by or on behalf of such PE Fund portfolio companies to certain Operations Support Advisers (as defined in Section 11 hereof) for work performed on behalf of such PE Fund portfolio companies may be subject, in whole or in part, to the offset arrangements described above. As used throughout this brochure, “travel” and “travel-related” expenses shall be deemed to include, without limitation, commercial and non-commercial transportation costs (including chartered, private plane, first class or business class travel, black car, Uber, Lyft, and taxis), lodging and accommodations, meals and related entertainment. From time to time, the Adviser may (in its sole discretion), agree to pay a portion of a transaction or other fee received from an actual or prospective portfolio company to a third party (“Third Party Fee”), such as a consultant, adviser, professional finder, broker, co-investor, and/or investment bank. In such event, the Third Party Fee is not a fee that the Adviser is entitled to retain and therefore, the Adviser is not required under the terms of the applicable Governing Documents to share such Third Party Fee with the Funds (and their investors) and such Third Party Fee will not reduce the Advisory Fee.

In addition, the Adviser or its personnel, on behalf of the Adviser, may, on very limited occasions, receive equity of a portfolio company as an Other Fee due to the service of such personnel on the board of such portfolio company or as compensation for other services provided to such portfolio company. Alternatively, an individual that was previously engaged as an Operations Support Adviser (see below) and who may have received equity (or equity-like) grants, issuances or allocations with respect to a portfolio company in such capacity may subsequently commence employment with the Adviser and continue to have rights to such equity (or equity-like) grants, issuances or allocations thereafter which in certain instances will not reduce the Advisory Fee. In either case, in the event of such a distribution or receipt of equity (or equity-like) grants, issuances or allocations, the recipients, or the Adviser, with respect to equity received as an Other Fee, may act in their own interest with respect to such securities and may determine to sell the distributed securities, or hold on to the distributed securities for such time as such recipient shall determine in its sole discretion. The ability of such recipients to act in their own interest with respect to such distributed shares may create a conflict of interest between the Adviser and its personnel, on the



one hand, and the Funds, on the other hand because the recipient's interests may not be aligned with those of the Funds and the recipient may determine to sell the equity received at a different time, or on different terms, than the Fund would sell its interest.

It is possible that certain personnel of the Adviser and/or its affiliates will be seconded or permanently transferred to one or more portfolio companies and provide finance, tax, operations, compliance, legal, or investment-advisory related and other services to or on behalf of such portfolio companies. The salaries, benefits, overhead and other similar expenses for such personnel during the secondment or after their transfer will be borne (in whole or in part) by such portfolio companies. To the extent the Adviser and/or its affiliates receive any fees or expense reimbursement from such portfolio companies with respect to such personnel, such fees or expense reimbursement generally will not result in any offset to the Advisory Fees payable by the relevant PE Funds.

In many cases with respect to the implementation of the arrangements described above, there is not an independent third-party involved on behalf of the relevant portfolio company. Therefore, a conflict of interest exists in the determination of any such fees and other related terms in the applicable agreement with the portfolio company.

The Adviser and its affiliates also engage and retain senior advisers, advisers, consultants, operating partners, operating executives and other similar professionals, including the Operations Support Advisers, who commonly receive payments from, and/or equity (or equity-like) grants, issuances or allocations with respect to, portfolio companies, the Funds, and/or other entities. In such circumstances, the amounts of such fees or other compensation received by such persons are generally retained by such persons and will not be deemed paid to or received by the Adviser and its affiliates and will not offset or reduce the Advisory Fee except as otherwise described above. For a discussion of material conflicts of interest created by the engagement of such persons, please see *"Providers of Operations Support Services"* in Item 11 below.

The precise amount of, and the manner and calculation of, Advisory Fees (and Other Fees) applicable to each Fund (or its portfolio companies) are established by the Adviser, subject to the provisions of the Governing Documents applicable to such Funds or the investors in the applicable Fund, respectively. As noted above, Advisory Fees are typically calculated as the sum of (i) a percentage of committed capital plus (ii) a percentage of remaining invested capital, and are allocated among investors in a Fund based on their respective capital accounts. The Adviser is entitled, in its sole discretion, to elect to waive or reduce Advisory Fees (both on a voluntary basis and on a negotiated basis with selected investors) and to charge varying (or no) Advisory Fees to different Funds, as well as to different investors in the same Fund. For example, the Adviser and certain of its principals, strategic partners, service providers, operating partners, operating executives and employees or their family members and related vehicles invest in certain of the Funds, and Advisory Fees assessed on such investments are generally substantially reduced or waived entirely. Notwithstanding that such parties will not typically pay Advisory Fees, they will pay for their pro rata share of certain Fund expenses (or the Adviser may bear those expenses on behalf of such parties).

The fee structures described herein may be modified from time to time. Fees generally differ from one Fund to another. In certain instances, fees also differ as among investors in the same Fund

based upon factors established by the Adviser from time to time, resulting in reduced fee levels being available to certain Investors (which may include personnel of Golden Gate and its affiliates) based upon those factors (and such factors may include, for example, whether such Investors have subscribed prior to others or early in the term of a Fund). In addition, the Adviser has in certain instances entered into economic and/or other fee sharing arrangements with respect to one or more Funds and/or certain limited partners thereof, the rights of which will not generally be made available to other limited partners.

For those Funds where the Adviser receives an Advisory Fee, such Advisory Fees are generally deducted from the assets of such Funds quarterly in advance. Upon termination of the applicable Governing Documents, Advisory Fees that have been prepaid are generally returned on a prorated basis.

The Adviser is generally entitled to waive or reduce all or a portion of the Advisory Fee paid by a Fund in full or partial satisfaction of any obligation of the Adviser and certain employees, affiliates, Operations Support Advisers of, and other persons associated with, the Adviser to invest alongside such Fund, which has the effect of accelerating investor capital contributions. Waived or reduced Advisory Fees are generally not subject to various offsets or the reductions described above. Due to waived or reduced Advisory Fees and/or the timing of receipt of compensation subject to offsets, investors in Funds may in certain instances not receive the full benefit of reductions or offsets (e.g., during periods when the Adviser no longer receives Advisory Fees and receives compensation that would otherwise be subject to offset, the Adviser, depending on certain elections that may be made by Fund investors, may be entitled to retain such compensation without remitting any such amounts to the applicable Fund or its investments).

## **Expenses**

### *Adviser Expenses*

To the extent provided in Governing Documents, and except as described below as a “*Fund Expense*”, the Adviser will pay out of Advisory Fees certain expenses and costs associated with the performance of its services, including ordinary office overhead expenses such as certain rent, supplies, charges for furniture and fixtures, travel and entertainment (in the case of travel and entertainment, to the extent not ultimately borne by one or more portfolio companies), compensation of its partners (but generally not operating partners and/or operating executives or their operating expenses, the expense for which is generally ultimately borne by portfolio companies, and except and in the case of Nob Hill Law Group, P.C.) and employees (other than Incentive Allocation described in Item 6 below and except in the case of Nob Hill Law Group, P.C.) and other routine administrative expenses relating to the advisory services and facilities provided by the Adviser to the Funds. In addition, expenses and fees generated in the course of evaluating and making investments which are not consummated or terminated are generally borne by the Adviser as described in each Fund’s Governing Documents except to the extent such amounts are subject to the offset arrangements described above. Any such expenses or fees not borne by the Adviser will be borne by the applicable Fund(s) in accordance with their respective Governing Documents or, to the extent not addressed in such Governing Documents, in accordance with the Adviser’s fee and expense policy, which generally contemplate such expenses or fees being borne on a *pro rata* basis based upon, in the Adviser’s sole discretion, the anticipated capital

commitment amounts with respect to such unconsummated investment, and typically include the portion that would have otherwise been borne by co-investment vehicles had the investment been consummated.

### *Fund Expenses*

Consistent with the applicable Governing Documents, each Fund will bear all other expenses relating to it to the extent not borne by its portfolio companies (or borne by the Adviser, in its sole discretion, on behalf of a Fund or a portfolio company), including, as applicable, legal, accounting, audit, actuarial, financial statements, tax returns and preparation, investment banking, consulting (including, but not limited to, consulting fees incurred by the Adviser or the applicable Fund for the benefit of a portfolio company and fees of affiliated consultants), brokerage, sale, depository (including a depository appointed pursuant to the Alternative Investment Fund Managers Directive), marketing, advertising, printing, wholesaling and other fundraising expenses associated with the admission of an investor and investor-related services and other similar costs, travel and travel-related and entertainment expenses incurred in connection with the Fund's fundraising and investment activities, premium meals, social and entertainment events (with portfolio company management, customers, clients, borrowers, brokers and service providers), organizational expenses of the Fund's general partner, administration, research and other information (including but not limited to research costs allocated by the Adviser's internal research team and third-party groups, and including data and information service subscriptions, related systems and services from data providers and data management software and any research or other service that may be deemed to be bundled for the benefit of such Fund), as well as the information technology systems used to obtain such research and other information, third party diligence software and service providers, subject and industry-matter research and experts, brokerage, finders', custody, transfer, registration, meetings of the advisory committee and limited partners or other investors, information technology system expenses (including the costs of acquiring, developing, implementing and maintaining computer software and hardware and other technological systems for the benefit of a Fund, its investors, or a portfolio investment or potential investment), bridge financing expenses (which may be payable to another Fund co-investing in the bridge transaction or to the Adviser or an affiliate, in each case being the entity providing the bridge financing to the applicable Fund, financing, commitment, origination and similar fees and expenses, insurance premiums of any general partner liability, errors and omissions, or other insurance (including insurance of which the Adviser and its affiliates are beneficiaries), cybersecurity insurance premiums, extraordinary administrative or operating expenses (including, without limitation, all litigation and indemnification expenses), interest, taxes, expenses of loan services and other service providers, expenses related to attending trade association meetings, conferences or similar meetings in connection with the evaluation of investment opportunities or business sector opportunities (including the evaluation of potential investments, regardless of whether such investment is ultimately consummated), Operations Support Expenses (as defined in Item 11 below) in respect of services provided for the benefit of a Fund without reference to a particular portfolio company, risk management assessment expenses, fees, costs and expenses related to the organization or maintenance of any intermediary entity used to acquire, hold or dispose of an investment or to otherwise facilitate a Fund's investment activities, expenses associated with a Fund's compliance with applicable laws and regulations, including regulatory filings as they relate to the Fund's activities, out-of-pocket costs and expenses, if any, associated with any third-party examination or audits (including similar services) of a Fund or the Adviser

that are attributable to the operation of such Fund or requested by one or more investors in a Fund, expenses incurred in connection with complying with provisions in investor side letter agreements, including “most favored nation” provisions, the costs associated with any amendments, modification, revisions or restatements to the Governing Documents of a Fund, expenses of liquidating a Fund, fees or other governmental charges levied against such Fund, expenses related to short sales (including dividend and stock borrowing expenses), clearing and settlement charges, margin and other interests, other expenses associated with the acquisition, holding and disposition of investments and extraordinary expenses (including, without limitation, litigation), fees paid to third-party valuation agents for valuations, appraisals or pricing services, expenses of Funds in which such Fund invests, expense associated with a Fund, and other similar fees and expenses, as well as any other fees or expenses incurred by the Adviser or such Fund in connection with such Fund’s operations that are not specifically set forth above as being paid by the Adviser. In addition, it is contemplated that each of Emerald Gate and the Treasury Products shall bear (i) travel expenses (including travel expenses incurred by their respective general partners, the Adviser, or the applicable sub-adviser in connection with their due diligence review of potential investments) and (ii) fees and expenses for the performance of administrative services (including, without limitation, fees and expenses of a third-party administrator).

Generally included in the expenses permitted to be borne by a Fund 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 Other 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 Fund and the portfolio company.

From time to time, the General Partner of a Fund creates certain “alternative investment vehicles” or similar structuring vehicles for purposes of accommodating certain tax, legal and regulatory considerations of investors (“AIVs”). In the event the General Partner creates an AIV, consistent with the Governing Documents of such Fund and to the extent not borne by a portfolio company, the expenses related to its organization and formation and other expenses incurred solely for the benefit of the AIV will typically be borne by the AIV and, indirectly, the investors thereof. In addition, expenses of the types borne by a Fund but associated with any feeder fund or similar vehicle organized to facilitate the participation of certain investors in such Fund (including, without limitation, expenses of accounting and tax services) may be borne by such Fund and, indirectly, the investors thereof (even if such investors do not participate in any such feeder fund or similar vehicle).

#### *Co-Investment Fund Expenses*

In certain cases, a co-investment vehicle, or similar vehicle established to facilitate the investment by investors to invest alongside a PE Fund will be formed in connection with the consummation of a transaction. Consistent with the Governing Documents of a Fund, in the event a co-investment vehicle is created, the investors in such co-investment vehicle will typically bear all expenses related to its organization and formation and other expenses incurred solely for the benefit of the

co-investment vehicle. The co-investment vehicle will generally bear its pro rata portion of expenses incurred in making an investment.

If a proposed transaction is not consummated, no such co-investment vehicle may have been formed, and the full amount of any expenses related to such proposed but not consummated transaction (“Dead Deal Costs”) would therefore be borne by the PE Fund or PE Funds selected by the Adviser as proposed investors for such proposed transaction (including reverse termination fees, extraordinary expenses such as litigation costs and judgements and other expenses). Furthermore, even if a co-investment vehicle has been formed for the purpose of making an investment in such proposed transaction (or co-investors have otherwise committed to invest in the proposed transactions), if a proposed transaction is not consummated some or all of the Dead Deal Costs would typically be borne solely by the PE Fund or PE Funds selected by the Adviser as proposed investors for such proposed transaction, but not to the co-investment vehicle or other co-investor to which the co-investment opportunity was offered. Similarly, co-investment vehicles are not typically allocated any share of Break-Up Fees paid or received in connection with such an unconsummated transaction. Furthermore, to the extent a co-investment vehicle is formed in connection with a proposed transaction, certain expenses relating to such co-investment vehicle may, in certain situations, be borne by another Fund or Funds, regardless of whether such proposed transaction is consummated.

In addition, the Adviser and its affiliates have discretion to (i) receive performance-based compensation, Advisory Fees or similar fees from co-investors and (ii) collect customary fees in connection with actual or contemplated investments that are the subject to co-investment arrangements.

#### *Allocation of Expenses*

From time to time the Adviser will be required to decide whether certain fees, costs and expenses should be borne by a Fund, on the one hand, or the Adviser, on the other hand, and/or whether certain fees, costs and expenses should be allocated between or among Funds and/or other parties, including portfolio companies. Furthermore, the Adviser reserves the right to charge such fees, costs and expenses at varying levels in a portfolio company’s holding or operating structure. The appropriate allocation among the Funds of expenses and fees generated in the course of evaluating and making investments often may not be clear, especially where more than one Fund participates. Certain expenses may be the obligation of one particular Fund and may be borne by such Fund, or expenses may be allocated among multiple Funds and entities. In exercising its discretion to allocate investment opportunities and fees and expenses, the Adviser may be faced with a variety of potential conflicts of interest. For example, in allocating an investment opportunity among Funds with differing fee, expense and compensation structures, the Adviser may have an incentive to allocate investment opportunities to the Funds from which the Adviser or its related persons may derive, directly or indirectly, a higher fee, compensation or other benefit. Such allocation determinations are inherently subjective and give rise to conflicts of interest due to the inherent biases in the process.

The Adviser allocates fees, costs and expenses in accordance with a Fund’s Governing Documents. To the extent not allocated to a portfolio company, the Adviser will allocate fees and expenses incurred in the course of evaluating and making investments that are consummated between Funds

in accordance with each Fund's Governing Documents or, to the extent not addressed in such Governing Documents, in accordance with the Adviser's fee and expense policy.

The appropriate allocation between Funds (to the extent not borne by the Adviser as described above), Adviser Investors (as defined elsewhere herein) and Third Parties (as defined elsewhere herein) of Dead Deal Costs, will be determined by the Adviser and its affiliates in their good faith discretion, consistent with the Governing Documents of the Funds, as applicable, and, to the extent not addressed in such Governing Documents, in accordance with the Adviser's fee and expense policy. If multiple Funds evaluate a potential investment that is not consummated, the Adviser generally allocates such fees and expenses generated in the course of evaluating such investment among such Funds based on the anticipated capital commitment amounts with respect to such unconsummated investment. Such expenses typically are not allocated to co-investment vehicles. There are occasions when the Adviser or one Fund (the "Payor Client") pays an expense common to multiple clients (the "Allocated Client") (e.g., legal expenses for a transaction in which multiple Funds and/or co-investors participate). On such occasions, each Allocated Client will reimburse the Payor Client for its share of such expense, generally without interest, promptly after the payment is made by the Payor Client. In addition, there may be occasions where a Fund procures borrowing through a subscription line or credit facility in order to make an investment, syndicating out a portion of the investment to another Allocated Client. Subject to the Governing Documents, the borrowing Fund will bear the entire cost of interest from the borrowing, even though the investment may ultimately be made by other Payor Clients. Furthermore, while highly unlikely, it is possible that one of the Allocated Clients could default on its obligation to reimburse the Payor Client. In certain circumstances, the Adviser, the relevant General Partner or an affiliate thereof is expected to advance amounts related to the foregoing and receive reimbursement from the Funds to which such expenses relate.

With respect to allocating other expenses among Fund(s), Adviser Investors and/or co-investors (including Third Parties), as appropriate, the Adviser will make any such allocation in accordance with the Adviser's fee and expense policy, which generally requires the Adviser to make such determination in a manner which best matches the benefits received by each party using its good faith judgment, notwithstanding its interest (if any) in the allocation (which such methodologies may include pro rata allocation based on the respective capital commitments of a Fund, pro rata allocation based on the respective investment (or anticipated investment) of a party in an investment, relative benefit received by a party, or such other equitable method as determined by the Adviser in its sole discretion). The Adviser will make any corrective allocations and take any mitigating steps if it determines such corrections are necessary or advisable. Notwithstanding the foregoing, the portion of an expense allocated to a Fund for a particular service may not reflect the relative benefit derived by such Fund from that service in any particular instance.

The Adviser, from time to time, enters into arrangements with third-party advisers and consultants who provide services relating to deal-sourcing and investment opportunities, for which such advisers and consultants are paid compensation or other fees and/or are reimbursed for certain expenses. Any fees and expenses associated with such investment opportunities will be allocated to the applicable Fund(s)' portfolio companies, consistent with the allocation process described above. Additionally, please see Item 6 below regarding "Incentive Allocation" that most Funds pay.

When a broker is used in connection with an investment by a Fund, such Fund will incur brokerage and other transaction costs. For additional information regarding brokerage practices, please see Item 12 below.

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

With respect to certain Funds, a portion of the profits of each such Fund's portfolio is allocated to the capital account of the Adviser as an "incentive allocation" (the "Incentive Allocation"). Certain Funds allocate and generally distribute Incentive Allocation to the Adviser upon the disposition of an investment within the Fund's portfolio. Other Funds allocate Incentive Allocation to the Adviser on a periodic basis or at other specified times (irrespective of any investment dispositions) from both the realized and unrealized profits of such Fund's portfolio over the applicable period. The existence of the Incentive Allocation creates an incentive for the Adviser to cause such Funds to make more speculative investments than they would otherwise make in the absence of performance-based compensation.

The precise amount of, and the manner and calculation of, the Incentive Allocation for each Fund is disclosed in the Governing Documents of each Fund. The Incentive Allocation provisions are negotiated collectively with the Funds or their investors, and are also subject to waiver or reduction by the Adviser or the applicable General Partner. For example, the Adviser and certain of its principals, operating partners, operating executives, strategic partners and employees and their family members and related vehicles typically invest in Funds, and the Incentive Allocation assessed on such investments are generally substantially reduced or waived entirely.

As mentioned above, certain Funds, including, without limitation, Emerald Gate and the Treasury Products, do not currently pay an Incentive Allocation. The payment by some, but not all, Funds of an Incentive Allocation or the payment of an Incentive Allocation at varying rates (including varying effective rates based on the past performance of a Fund) creates an incentive for the Adviser to disproportionately allocate time, services or functions to Funds paying an Incentive Allocation or Funds paying an Incentive Allocation at a higher effective rate, or allocate investment opportunities to such Funds. Generally, and except as may be otherwise set forth in the Governing Documents of the Funds, this conflict is mitigated, at least in part, by (i) certain limitations on the ability of the Adviser to establish new investment funds; (ii) contractual provisions requiring certain Funds to purchase and/or sell investments contemporaneously; (iii) contractual provisions setting forth investment allocation requirements; (iv) certain allocation procedures and/or (iv) Funds having distinct investment goals and criteria.

Please see Item 11 below for additional information relating to how conflicts of interest are generally addressed by the Adviser.

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

The Adviser currently provides investment supervisory services to the Funds. Investment advice is provided directly to the Funds and not individually to investors in the Funds.

Interests in the Funds are offered pursuant to applicable exemptions from registration under the Securities Act and the 1940 Act. Investors in the Funds are generally "accredited investors" as defined in the 1933 Act and, in many instances, "qualified purchasers" or "knowledgeable

employees” as defined in the 1940 Act, and generally include, among others, high net worth individuals, banks, thrift institutions, pension and profit sharing plans, trusts, estates, charitable organizations, university endowments, corporations, sovereign wealth funds, limited partnerships and limited liability companies or other entities. The Adviser has in the past conditioned (and may in the future condition) the ability to invest in certain of the Funds it manages upon an investor agreeing to invest in other funds managed by the Adviser, its affiliates, or portfolio companies of the Funds (including, for the avoidance of doubt, AICM).

The Adviser does not have a minimum size for a Fund, but the Adviser has established minimum investment commitments for investors in certain of the Funds. The Adviser may in its sole discretion permit investments below the minimum amounts set forth in the Governing Documents of such Fund.

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

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

#### ***PE Funds***

The Adviser seeks analytically challenging, change-intensive investments where it believes there is an opportunity to improve both earnings and strategic value. The companies that meet the Adviser’s investment criteria are usually those in change-intensive environments. This includes companies at all stages of their life-cycle facing changing market dynamics and/or strategic, operational, financial or organizational challenges. The Adviser’s investment strategy involves in-depth strategic and financial analysis, placing particular emphasis on industry dynamics, competitive positioning and management capability.

The Adviser seeks investment opportunities in private equity and, in certain instances, other indebtedness or equity and debt securities of public and private issuers (including securities convertible into equity or debt securities), derivative instruments and any other financial instruments or assets (including real estate) that the Adviser believes may help achieve the PE Funds’ respective investment objectives. In accordance with the PE Funds’ respective investment objectives, investments are made in companies doing business in a variety of industries, including, without limitation: consumer products; financial services (including insurance, asset management and broker-dealer services); industrials; software, information systems and tech-enabled services.

The Adviser will invest using a variety of transaction types (including, without limitation, public-to-privates, corporate extractions, bankruptcy acquisitions and recapitalizations) and investment strategies (including, without limitation, leveraged buyouts, growth equity and build-ups/consolidations).

The PE Funds, directly or indirectly, are permitted to invest in equity securities, such as common stock, preferred stock, and warrants to purchase common or preferred stock and securities convertible into common or preferred stock. The PE Funds, directly or indirectly, are also permitted to invest in indebtedness or debt securities (including debt securities that are rated below investment grade), and such investments may include those issued by corporations denominated in currencies other than the U.S. dollar. The PE Funds have also entered into notional or “derivative” transactions (such as collateralized loan obligations, futures contracts, forward



contracts, options and swaps) for hedging purposes or generally in an attempt to increase the PE Funds' return or otherwise for legitimate business purposes.

With respect to the PE Funds, the Adviser's philosophy is to approach each investment as co-owners and principals with the management team in order to execute operational and strategic change. The Adviser does so through a collaborative approach with senior management with a focus on corporate strategy, merger and acquisition activity, operational discipline, and financial structuring. The Adviser does not typically seek to run day-to-day operations. In all cases, the Adviser attempts to closely align the interests of management with its own interests.

### *Emerald Gate*

The investment objective of Emerald Gate is to seek attractive, risk-adjusted returns while maintaining a focus on capital preservation and reduced volatility. Emerald Gate seeks to achieve its objective by investing proceeds from capital contributions primarily in an opportunistically selected pool of publicly-traded equities securities (including securities convertible into equity securities and/or derivative instruments). Emerald Gate expects in certain instances to also use hedging techniques and other strategies intended for risk- and volatility-dampening. Emerald Gate is funded with equity capital and expects in certain instances to use leverage in making such investments.

The Adviser focuses Emerald Gate's investments in companies and industries that the Adviser has significant knowledge and expertise of through its private equity and other public equity activities. The industries in which Emerald Gate primarily invests include, without limitation: consumer products; financial services (including insurance, asset management and broker-dealer services); industrials; software, information systems and tech-enabled services. However, the investments in which Emerald Gate invests have a fundamentally different risk/return profile than that of the investments of the PE Funds. The risk/return profile of a particular investment is considered in determining whether such investment is suitable for Emerald Gate. The Adviser focuses Emerald Gate's investing in investments it believes are lower-risk, lower-returning and more stable than those that are the focus of the PE Funds. In addition, Emerald Gate does not invest in private equity transactions. By contrast, the public equity investment activity of the PE Funds endeavors to obtain overall returns more similar to those generated in the private equity space and such public equity positions generally represent "actionable" opportunities supporting private equity-oriented goals.

Emerald Gate's investments primarily consist of long equities and equity-like securities (e.g., convertible preferred securities) that the Adviser believes offer an attractive yield and potential equity upside. The Adviser focuses Emerald Gate's investments in companies the Adviser believes are well-managed, have significant barriers to entry, high and consistent free cash flow, and have shown a propensity to return capital to shareholders via dividends and stock buybacks. Emerald Gate may also invest in master limited partnerships and real estate investment trusts and, from time to time, may engage in short-selling. Emerald Gate has generated returns to its equity and equity-like investments through cash generation with upside through growth or margin improvement.

### *Treasury Products*

The Treasury Portfolio consists of a diversified portfolio of liquid assets currently managed on behalf of various majority-owned portfolio holding companies of the PE Funds, and may in the future also include the Funds, the Adviser and/or the General Partners as investors. The Treasury Portfolio's investment objective is to seek conservative returns while maintaining a focus on capital preservation, liquidity and low volatility. The Treasury Portfolio intends to maintain sufficient cash and "cash like" securities to meet the near-term needs of the participants while investing excess uncommitted cash balances of its participants in a portfolio of debt instruments. The debt instruments held in the Treasury Portfolio are generally intended to be held to maturity; however, the specific instruments included in the Treasury Portfolio are relatively liquid and it is expected that they could be sold to meet any unexpected needs of the participants. The Treasury Portfolio does not currently intend to use leverage in making investments.

The Adviser has engaged AICM to serve as sub-adviser to the Treasury Portfolio and has granted AICM investment discretion over the Treasury Portfolio. AICM's investment mandate is to invest a majority of the Treasury Portfolio assets in indebtedness or debt securities of companies and industries of which AICM has significant knowledge and expertise. That portion of the Treasury Portfolio that is not invested in indebtedness or debt securities is generally maintained in cash, short-term U.S. Treasury securities, bank repurchase agreements and other similarly liquid securities. From time to time, the portion of the Treasury Portfolio held in "cash like" securities will be adjusted to appropriately reflect the ongoing needs of participants.

The indebtedness and/or debt securities in which the Treasury Portfolio will be invested have a fundamentally different risk/return profile than those acquired, directly or indirectly, by the PE Funds. The Adviser expects to focus the Treasury Portfolio's investments in indebtedness and/or debt securities that are believed to be lower risk, lower returning and more stable than those that are the focus of the PE Funds. The Treasury Portfolio is not expected to invest in private equity transactions or equity securities. Notwithstanding anything to the contrary herein, it should be noted that the Treasury Portfolio has in the past, and is expected to do so again in the future, invested in issuers and/or offerings that are then currently held by, or were formerly held by, clients of AICM (though no leverage is expected to be used for the Treasury Portfolio in an effort to mitigate risk).

The Adviser seeks to focus the Treasury Portfolio's investments in indebtedness and debt securities on issuances by companies that have a low debt-to-enterprise value ratio with credit ratings generally ranging from BBB to BB. The Adviser expects that the Treasury Portfolio's investments will be predominantly comprised of senior secured first lien bank debt with floating interest rates, thus minimizing the interest rate risk while maintaining a secured position.

## **Risks**

The following list is not a complete list of all risks involved in connection with an investment in the Funds. In general, the risks applicable to each Fund and the activities of its related General Partner and the Adviser include, but are not limited to:

### *Potential Loss of Investment*

An investment in the Funds is speculative and involves substantial risks, including the risk that the entire investment will be lost. There can be no assurance that targeted returns for the Funds will be achieved or that investors will receive a return of their capital.

### *Business Risks*

Certain of the Funds' investment portfolios will include 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.

### *Competition; Inadequate Return*

The Funds expect to encounter competition from entities having similar investment objectives. Potential competitors include other investment funds, business development companies and other financial investors investing directly or through affiliates. Certain of these entities may possess competitive advantages over the Funds in pursuing investment opportunities, including greater financial, technical, marketing and other resources, higher risk tolerances, different risk assessments, lower return thresholds, lower cost of capital and access to funding sources unavailable to the Funds. There can be no assurance that returns of the Funds in future periods will reflect previous historical levels. This may be due in part to changes in market conditions affecting the Funds' investments and strategies, as well as the proliferation of investment funds and other investors pursuing similar strategies (thereby making it difficult for the Funds to outperform other investment funds and investors). In addition, many funds have grown substantially in size, resulting in an unprecedented amount of capital available for investment in such opportunities.

### *Concentration of Investments*

A Fund may not be highly diversified. The Funds will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment or within a short period of time. In addition, certain of the Funds invest a significant amount of their respective assets in liquid securities. As a result, a Fund's investment portfolio could become highly concentrated, and the performance of a few holdings or of a particular industry may substantially affect its aggregate return. Lack of diversification would expose a Fund to losses disproportionate to market declines in general if there were disproportionately greater adverse price movements in the particular investments held by a Fund. To the extent a Fund invests a relatively high percentage of its assets in a limited number of portfolio companies, industries or sectors, a Fund will be more susceptible than a more widely diversified investment partnership to the negative consequences of a single corporate, economic, political or regulatory event. Furthermore, to the extent that the capital raised is less than the targeted amount, a Fund may invest in fewer portfolio companies and thus be less diversified.

### *Illiquidity; Limited Transferability of Interests; Redemptions*

Golden Gate Capital Opportunity Fund, L.P. ("GGCOF") and Golden Gate Capital Opportunity Fund-A, L.P. ("GGCOF-A" and together with GGCOF and any other investment funds formed to invest alongside GGCOF and GGCOF-A, the "Opportunity Fund") are continuous investment

vehicles, and an investment in the Opportunity Fund should be viewed as an illiquid investment. Investors generally are expected to continue to participate in, and make new commitments to, each subsequent series of the Opportunity Fund. Absent an affirmative action by an investor, an investor in any series may be required to make a commitment to subsequent series. There will be no public market for an investor's interest in the Opportunity Fund, and none is expected to develop.

There are substantial restrictions upon the transferability of investor interests under the Governing Documents for the Opportunity Fund and applicable securities laws. Investors generally have limited rights to redeem their interests in the Opportunity Fund, but the Adviser may, in certain circumstances, require an investor to redeem all or a portion of its interest in the Opportunity Fund. Redemptions by investors may be subject to holdbacks, the application of liquidating run-off account provisions and other limitations that significantly delay the return of capital, which during such time will remain at risk in the Opportunity Fund's investment program. There can be no assurance that the Opportunity Fund will continue indefinitely or make available future series, and the Adviser may dissolve the Opportunity Fund at any time in its discretion.

Redemptions will generally occur at the applicable Fund's net asset value. Because there is not expected to be an active market for certain investments owned by the Funds, there are inherent uncertainties in the process of valuing such investments, and therefore it is possible that the determination of the Fund's net asset value upon which the redemption proceeds are based may differ from the net asset value that would have been determined had an active market existed for such investments and may differ from the prices at which such investments ultimately may be sold. This could result in the redemption proceeds being greater or less than they would be if there were an active market for all of the Fund's investments and, consequently, may reduce the redemption proceeds received by the redeeming investors. The exercise of discretion in valuation by the Adviser may give rise to conflicts of interest relating to such amounts between redeeming investors and new or existing investors.

#### *Future and Past Performance*

It should be noted that the performance of the Funds, the Adviser, the Adviser's officers and employees (collectively, "Adviser Personnel") and any applicable sub-adviser's prior investments is not a guarantee of the Funds' future results. The Adviser cannot provide assurance that it will be able to choose, make and realize investments in any particular company or portfolio of companies. There is no assurance that the Adviser will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the type of companies and transactions described herein. Investors could lose all or a significant portion of their investment, and investors in the Funds must be prepared to bear the risk of a complete loss of their investments. An investment in one or more Funds should only be considered by persons who can afford a loss of their entire investment. Although the Adviser Personnel have previous experience making and managing investments similar to those contemplated by the Funds, there can be no assurance that the Funds' investments will achieve results similar to those attained by previous investments of the Funds, the Adviser or their affiliates, including the Adviser Personnel. In addition, the Funds' future investments may differ from previous investments made by the Funds, the Adviser or the Adviser Personnel in a number of respects.

### *New Investor Buy-In Amount*

With respect to any new series of the Opportunity Fund, a new investor may, upon request, be permitted by the Adviser to fund an upfront cash new investor buy-in amount. In such case, the existing investors' participation in each investment of such Fund will be reduced pro rata based on their respective capital account balances. Such upfront cash new investor buy-in amount generally is expected to be funded at the beginning of the commitment period of such new series and may represent a significant funding obligation and a substantial portion of an investor's overall investment in the Opportunity Fund. In addition, it is possible that the estimated new investor buy-in amounts differ substantially from the final determination of the new investor buy-in amounts. Because there is not expected to be an active market for certain investments owned by the Opportunity Fund, there are inherent uncertainties in the process of valuing such investments, and therefore it is possible that the determination of the Opportunity Fund's net asset value upon which the new investor buy-in amounts are based may differ from the net asset value that would have been determined had an active market existed for such investments and may differ from the prices at which such investments ultimately may be sold. This could result in the new investor buy-in amounts being greater or less than such amounts would be if there were an active market for all of the Opportunity Fund's investments, and consequently, may reduce the new investor buy-in amounts ultimately received by the Opportunity Fund and existing investors (or, conversely, increase the new investor buy-in amounts funded by new investors). The exercise of discretion in valuation by the Adviser may give rise to conflicts of interest relating to such amounts between new investors and existing investors. The Adviser also has discretion over whether such new investor buy-in amounts are to be distributed to investors (or subsequently recalled) or used to fund new investments. In addition, the Adviser has a conflict of interest in determining in consultation with such new investor whether to structure such new investor's capital contributions as new investor buy-in or go-forward capital commitments insofar as the Adviser would be entitled to greater or lesser Advisory Fees, Incentive Allocation and/or Other Fees in respect of one or the other. In the event a new investor does not fund a new investor buy-in amount, such new investor will participate in the allocation of net profits and losses with respect to its new (or increased) capital commitment only to the extent such new investor has made capital contributions to the Opportunity Fund. As net profits and net losses generally are allocated to the investors based on each investor's proportional share of the aggregate capital accounts, in the event a new investor funds less than its full new investor buy-in opportunity, such new investor's allocation of such net profits and losses is expected to be substantially less than the allocation such new investor would have received had such new investor funded a new investor buy-in amount in an amount equal to such new investor's full new investor buy-in opportunity, and such allocations are not expected to correspond to such new investor's proportional share of the aggregate capital commitments to such series.

### *Lack of Sufficient Investment Opportunities*

The business of identifying and structuring private equity, public securities' and other financial transactions is highly competitive and involves a high degree of uncertainty. The Funds will encounter competition from other entities having similar investment objectives. Potential competitors include other investment funds, strategic industry acquirers and other financial investors. Over the past several years, an ever-increasing number of investment funds have been or are being formed, and many fund sponsors have increased the size of successor funds as

compared to their corresponding prior funds. Additionally, a number of new funds and established funds with more generalized investment capabilities have entered into the energy industry within the last several years as capital needs in the industry have increased and investment returns in other industries have decreased. As global efforts are made to respond to anticipated future population growth, economic development and increased urbanization, and the effects of each of them, the number of funds and sources of investment capital that have similar investment objectives to the Funds, or that target similar investment opportunities, is likely to increase. Some of the Funds' competitors for investment opportunities may have more relevant experience, greater financial resources, a greater willingness to take on risk, and/or more personnel than the Adviser, the Funds and their respective affiliates. In this highly competitive environment, the valuations of many potential target companies have recently risen to historically high levels as measured by multiples of EBITDA. The Adviser expects that competition for appropriate investment opportunities may remain high or may increase, which may increase the likelihood that the Funds will participate in auctions for investments, the outcome of which cannot be guaranteed. As a result, the Funds may experience difficulty identifying and consummating investments, and the terms upon which investments can be made may be less favorable than obtained by any prior Adviser fund. To the extent that the Funds encounter significant competition for investments, returns to investors may decrease. It is possible that a Fund 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), investors generally will be required to bear Advisory Fees and other expenses throughout the duration of the investment period of the applicable Fund based in part on the entire amount of their capital commitments, as set forth in the Governing Documents for such Fund.

#### *Restricted Nature of Investment Positions; Lack of Current Distributions*

Generally, it is possible that there will be no readily available market for a large number of the Funds' investments, and hence, the Funds' investments may be difficult to value. Certain of the Funds' investments are likely to include securities that are subject to restrictions on sale under U.S. securities laws. Generally, the Funds will not be able to sell these securities publicly in the U.S. without the expense and time required to register the securities under the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (the "Securities Act") or will be able to sell the securities only under Rule 144 or other rules under the Securities Act that permit only limited sales under specified conditions. When restricted securities are sold to the public, such Fund may be deemed an "underwriter," or possibly a controlling person, with respect thereto for the purpose of the Securities Act and be subject to liability as such under the Securities Act.

The sale of investments may be subject to restrictions imposed by the applicable securities laws of the countries in which a Fund invests or in which it wishes to publicly list securities, if applicable. In addition, practical limitations may inhibit a Fund's ability to liquidate certain of its investments in the portfolio companies since the issuer will be privately held and the Fund may own a relatively large percentage of the issuer's equity securities. Sales may also be limited by market conditions, which may be unfavorable for sales of securities of particular issuers or issuers in particular industries. The limitations on liquidity of a Fund's investments could prevent a successful sale thereof, result in delay of any sale, or reduce the amount of proceeds that might otherwise be realized.

Although certain investments may be designated as liquid investments or be comprised of liquid investments pursuant to the Governing Documents, it is uncertain as to when profits, if any, will be realized. In addition, certain investments may be distributed in-kind to the investors 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 investors. 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 may be no current return on, or near-term cash flow from, the investment. Furthermore, the expenses of operating the Funds (including the Advisory Fee payable to an affiliate of the Adviser) may exceed its income, thereby requiring that the difference be paid from the Funds' capital, including unfunded capital commitments. Certain of the Funds' indefinite term and perpetual structure may result in such Funds making longer-term investments than might be made by a fund with a shorter duration.

The Funds' ability to dispose of investments may be limited for several reasons (some or all of which may be outside of the Funds' control), including the absence of an established market for such investments, as well as contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms upon which a disposition could be made. Any possibility of a disposition in the public markets will depend upon favorable market conditions, including receptiveness to initial or secondary public offerings for the companies in which the Funds invest and an active mergers and acquisitions (or recapitalizations and reorganizations) market, among other factors.

#### *Investments in Small Companies*

There is no minimum limitation on the size or operating experience of the companies in which the Funds may invest. Some small companies in which the Funds may invest may lack management depth or the ability to generate internally, or obtain externally, the funds necessary for growth. Companies with new products or services could sustain significant losses if projected markets do not materialize. Further, such companies may have, or may develop, only a regional market for products or services and may be adversely affected by purely local events. Such companies may be small factors in their industries and may face intense competition from larger companies and entail a greater risk than investment in larger companies.

#### *Reliance on the Adviser*

Control over the operation of the Funds, including decisions with respect to the management thereof, is vested entirely in the Adviser and/or the applicable sub-adviser. The success of a Fund will depend on the ability of the Adviser or the applicable sub-adviser to identify and consummate investments and to dispose of investments of such Fund at a profit. The loss of service of one or more of the Adviser Personnel could have an adverse effect on the Funds' ability to realize their investment objectives. Investors generally have no right or power to take part in the management of the Funds and, as a result, the investment performance of the Funds will depend entirely on the actions of the Adviser. In addition, the Adviser Personnel currently, and may in the future, manage or advise other investment funds, including other Funds managed by the Adviser, including funds that may be raised in the future, proprietary investments made by the Adviser and/or its principals

of the type made by a Fund, funds managed on behalf of the Adviser Personnel, their friends and family and, in the case of the Treasury Products, certain portfolio companies, or investment funds managed by a Holding Company or Portfolio Company Adviser. The Adviser Personnel may need to devote substantial amounts of their time to the investment activities of such other funds, which poses conflicts of interest in the allocation of the time, services or functions of the Adviser Personnel. Thus such persons will have demands made on their time for the investment, monitoring, exit strategy and other functions of other funds and accounts. In addition, certain changes in the Adviser or circumstances relating to the Adviser may have an adverse effect on the Funds or one or more of their portfolio companies including potential acceleration of debt facilities.

Although the Adviser will monitor the performance of each Fund investment, it primarily will be the responsibility of each portfolio company's management team to operate such portfolio company on a day-to-day basis. Although the Funds generally intend 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 Funds' objectives.

#### *Risks in Effecting Operating Improvements*

The success of the Funds' investment strategy is likely to depend, in part, on the ability of the Funds to effect improvements in the operations of certain portfolio companies. Identifying and implementing operational improvements at portfolio companies entails a high degree of uncertainty. In addition, executing operational improvements may divert the attention of key portfolio company personnel and disrupt normal business. There can be no assurance that the Funds will be able to successfully identify and implement such improvements.

#### *Risks Relating to Due Diligence of and Conduct at Portfolio Companies; Expedited Transactions*

Before making an investment, the Adviser will often conduct such due diligence as it deems reasonable and appropriate based on the facts and circumstances applicable to such investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, technical, environmental and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment and the facts and circumstances related thereto, and the Adviser may rely on the advice received from such third parties. Investment analyses and decisions by the Adviser will often be undertaken on an expedited basis in order for the Funds to compete for investment opportunities and/or consummate investments. In such cases, the information available to the Adviser at the time of an investment decision may be limited, and the Adviser may not have access to the detailed information necessary for a full evaluation of an investment opportunity. The due diligence investigation carried out with respect to any investment opportunity is unlikely to reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in an investment being successful or even ensure a return on invested capital.



### *Significant Adverse Consequences for Default*

The Governing Documents generally provide for significant adverse consequences and/or forfeiture of some or all of an investor's interest in the event an investor defaults on its capital commitment or any other payment obligation. In addition to losing its right to potential distributions from the Funds, a defaulting investor may be forced to transfer its interest in the Funds for an amount that is less than the fair market value of such interest.

### *Need for Follow-On Investments*

Following a PE Fund's initial investment in a given portfolio company, such PE Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company (whether for opportunistic reasons, to fund the needs of the business, to improve its operating performance, to meet its debt service obligations or refinance its outstanding debt securities or as an equity cure under applicable debt documents or for other reasons). There is no assurance that a PE Fund will make follow-on investments or that a PE Fund will have sufficient funds to make all or any of such investments. Any decision by the Adviser not to make follow-on investments or a PE Fund's inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made). Additionally, such failure to make such investments may result in a lost opportunity for such PE Fund to increase its participation in a successful portfolio company or the dilution of such PE Fund's ownership in a portfolio company if a third party (or successor Fund) invests in such portfolio company. In certain circumstances, including follow-on investments by successor Funds in a portfolio company owned by one or more predecessor PE Funds, the decision by a Fund to make follow-on investments may present conflicts of interest, including with respect to the determination of the structure and other terms of any new financing. In certain circumstances, redeeming investors may not participate in follow-on investments, while other investors in the Funds do participate therein, which could present actual or potential conflicts of interest.

### *Recycling/Reinvestment*

For the Opportunity Fund, in addition to having the right to recall distributions previously made to the investors (subject to certain limitations set forth in the Governing Documents), the Adviser may return to the investors all or any portion of any capital contribution that (a) is not invested in an investment or used to pay partnership expenses or (b) is invested in investments that have been sold to a parallel Fund, and any such distributed amounts will be treated as not having been called and funded and will be subject to a recall. Furthermore, the Opportunity Fund may recycle proceeds from private equity investments in an aggregate amount of up to 20% of the base capital commitments of the investors to the then-current series during the commitment period of such series, and proceeds from liquid investments generally may be recycled without limitation. The Adviser has in the past elected (and expects in the future to continue to elect) to first recycle out of the Opportunity Fund's invested capital. The Adviser has a conflict of interest in making such determination insofar as the Adviser remains entitled to (i) Advisory Fees in respect of recycled invested capital proceeds and (ii) the Incentive Allocation in respect of any distributed profits. For all of the reasons set forth above, during the term of the Opportunity Fund, an investor may be required to make capital contributions in excess of its capital commitment and to the extent such

recalled or retained amounts are reinvested in investments, an investor will remain subject to investment and other risks associated with such investments.

### *Dilution*

For the Opportunity Fund, investors admitted and existing investors that increase their respective capital commitments to such Funds above their renewal shares with respect to any series subsequent to the initial series generally will participate in then-existing investments of the Opportunity Fund, thereby diluting the interests of existing investors in such investments.

### *Public Company Holdings*

The Funds' investment portfolios generally contain securities and debt issued by publicly held companies. The Governing Documents do not limit the amount of assets that may be invested in such investments. Such investments subject the Funds to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Funds to dispose of such securities and debt at certain times, increased likelihood of shareholder litigation and insider trading allegations against such companies' executives and board members, including the Adviser Personnel, and increased costs associated with each of the aforementioned risks. In addition, by reason of their responsibilities in connection with such investments or other activities, the Adviser Personnel may have access to confidential or material non-public information or be otherwise restricted from initiating transactions in certain securities. The Funds will not be free to act upon any such information and, consequently, may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold. Furthermore, despite the heavy volume of trading in securities, the markets for some securities may be thinly traded from time to time. This lack of liquidity and market depth could disadvantage the Funds, both in the realization of the prices which are quoted and in the execution of orders at desired prices or in desired quantities. Also, securities exchanges and the U.S. Securities and Exchange Commission ("SEC") have authority to suspend trading in a particular security without notice. In addition, the Adviser and its affiliates may aggregate (or bunch) the orders of more than one Fund for the purchase or sale of the same publicly traded security. Portfolio managers and traders often employ this practice because larger transactions may enable them to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. The Adviser and its affiliates may combine orders on behalf of the Funds with orders for other Funds for which the Adviser or its affiliates have trading authority, or in which it or its affiliates have an economic interest. In such cases, the Adviser and its affiliates generally intend to aggregate trade orders for publicly traded securities so that each participating Fund will receive the average price for each execution of a transaction.

### *Projections*

Projected operating results of a company in which the Funds invest normally will be based primarily on financial projections prepared by such company's management, with adjustments to such projections made by the Adviser 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.

#### *Uncertainty Regarding Investments*

Although the Adviser will make every effort to conduct appropriate due diligence prior to making an investment, the due diligence process may be subjective at times, may be required to be undertaken on an expedited basis in order to take advantage of available investment opportunities and may require the Adviser to rely on limited resources available to it including information provided by the target of the investment and third-party consultants, legal advisors, accountants and investment banks. As a result, it is uncertain whether the due diligence investigation will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. The Adviser also cannot be certain that the due diligence investigation will result in investments being successful. The ability to conduct certain due diligence may be limited in connection with certain liquid investments.

#### *General Risks Associated with Non-U.S. Investments*

The Funds may, directly or indirectly, make investments in portfolio companies that are organized or headquartered or have substantial sales or operations outside of the United States and its territories and possession or in non-U.S. long or short securities, options, swaps and “contracts for differences” (“CFDs”). Investments in non-U.S. securities or instruments involve certain considerations not typically associated with investing in U.S. securities and instruments, including risks relating to: (i) currency exchange matters (including fluctuations (whether favorable or unfavorable) in the rate of exchange between the U.S. dollar and the various non-U.S. currencies in which the Funds’ non-U.S. investments may be denominated (including risks associated with potentially rapid inflation), and costs associated with conversion of investment principal and income from one currency into another); (ii) exposure to fluctuations in interest rates payable with respect to the instruments in which the Funds invest; (iii) differences in conventions relating to documentation, settlement, corporate actions, stakeholder rights and other matters; (iv) differences between the U.S. and non-U.S. securities markets (including potential price volatility in, and relative illiquidity of, certain non-U.S. securities markets); (v) the absence of uniform accounting, auditing, and financial reporting standards, practices and disclosure requirements, and less or more government supervision and regulation; (vi) certain economic, social and political risks (including potential exchange control regulations, restrictions on non-U.S. investment and repatriation of capital, and the risks of political, economic, governmental or social instability (including the risk of sovereign defaults, regulatory change, and the possibility of expropriation or confiscatory taxation)); (vii) the possible imposition of non-U.S. taxes (including withholding taxes) on income, gains and gross sales or other proceeds recognized with respect to non-U.S. securities or instruments (including the imposition of such taxes as a result of the formation by the Adviser of an alternative investment vehicle outside of the United States); (viii) the application of complex U.S. and non-U.S. tax rules to cross-border investments; (ix) possible non-U.S. tax return filing requirements for the Funds and/or certain investors (including as a result of the formation by the Adviser of an alternative investment vehicle outside of the United States); (x) differing and potentially less well-developed or well-tested corporate laws regarding stakeholder rights,

creditors' rights (including the rights of secured parties), fiduciary duties and the protection of investors; (xi) differences in the legal and regulatory environment (including enhanced legal and regulatory compliance); (xii) political hostility to investments by foreign or private equity investors; and (xiii) less publicly available information.

Additionally, the Funds may be less influential than other market participants in jurisdictions where they and/or the Adviser do not have a significant presence, and they may have greater difficulty enforcing their legal rights in a non-U.S. jurisdiction. The Funds may be subject to additional risks, which include possible adverse political and economic developments, possible seizure or nationalization of foreign deposits and possible adoption of governmental restrictions which might adversely affect the payment of principal and interest to investors located outside the country of the issuer, whether from currency blockage or otherwise. Furthermore, certain of the Funds' investments may be subject to brokerage taxes levied by non-U.S. governments, the effect of which would be to increase the cost of such an investment and reduce the realized gain (or increase the realized loss) on such an investment at the time of its disposition. There can be no assurance that adverse developments with respect to such risks will not adversely affect the assets of the Funds that are held in certain non-U.S. jurisdictions.

#### *Emerging Market Risks*

The risks of investments in non-U.S. markets described above apply to an even greater extent to investments in emerging markets. The securities markets of emerging market countries are generally smaller, less developed, less liquid, and more volatile than the securities markets of the U.S. and other developed markets. Disclosure and regulatory standards in many respects are less stringent than in the U.S. and other developed markets. There also may be a lower level of monitoring and regulation of securities markets in emerging market countries and the activities of investors in such markets and enforcement of existing regulations may be inconsistent and subject to change without warning. In addition, custodial services and other costs relating to investments may be more expensive in emerging markets than in many developed markets, which could reduce a Fund's income from such securities. In many cases, governments of emerging market countries continue to exercise significant control over their economies, and government actions relative to the economy, as well as economic developments generally, may adversely affect the liquidity and price of securities, regardless of the issuer's financial condition. In addition, there is a heightened possibility of expropriation or confiscatory taxation, imposition of withholding taxes on interest or dividend payments, or other similar developments that could affect investments in those countries. There can be no assurance that adverse political changes will not cause the Funds to suffer a loss of any or all of their investments.

#### *Non-U.S. Currency Risks*

Although many of the Funds' investments are expected to be U.S. Dollar-denominated, an investment that is denominated in a non-U.S. currency is subject to the risk that the value of the particular currency in which such investment is denominated will change in relation to one or more other currencies, including the U.S. Dollar, which is the currency in which the books of the Funds will be kept and contributions and distributions generally will be made. Among the factors that may affect currency values are trade balances between nations, short-term interest rates, variations in the relative value of similar assets in different currencies, long-term opportunities for investment

and capital appreciation, and political developments. The Funds and/or the portfolio companies would likely incur costs in converting investment proceeds from one currency to another. The Adviser is permitted, but it is under no obligation, to employ hedging techniques to manage currency exchange exposure, although there can be no assurance that such techniques will be effective. Interests in the Funds are denominated in U.S. Dollars, and prospective investors in any country in which U.S. Dollars are not the local currency should note that changes in the exchange rate between the U.S. Dollar and such local currency may have an adverse effect on the value, price or income of an investment in a Fund. Foreign exchange regulations may be applicable to investments in certain jurisdictions. Any fees, costs and expenses incurred by a non-U.S. investor in converting its local currency to U.S. Dollars in order to make capital contributions to the Funds will be borne solely by such non-U.S. investor, will be in addition to the amounts required to be contributed, and will not be part of the capital commitment of such non-U.S. investor.

### *Hedging Risks*

The Adviser may hedge some or all of a Fund's investments or other assets by entering into hedging arrangements with a broker, a bank or other organizations. Hedging against a decline in the value of an investment or other asset of a Fund does not completely eliminate risks associated with fluctuations in the values of such investment or asset, or prevent losses if the values of such investment or asset decline. In addition, any hedging arrangements may limit a Fund's opportunity for gain if the values of the investment or asset subject to hedging increase. Furthermore, hedging entails its own costs, and it is often not possible to hedge fully or perfectly against all risks. There can be no assurance that the Adviser will choose to hedge against any of the risks relating to a Fund's investments.

### *Effect of Incentive Allocation*

The existence of the Incentive Allocation creates an incentive for the Adviser to make more speculative investments on behalf of the Funds than it would otherwise make in the absence of such performance-based arrangement. For certain Funds, the Incentive Allocation is determined based in part on the unrealized value of the Funds' investments. It is possible that the actual value of such investments may differ from values that would have been determined had an active market existed for such investments and may differ from the prices at which such investments ultimately may be sold. This potentially could result in the Adviser receiving a greater Incentive Allocation than what it would receive if the Incentive Allocation were solely determined based on realized values. There is generally no obligation on the Adviser to return amounts previously distributed to it in respect of the Incentive Allocation, even in the event of subsequent losses. In addition, if distributions are made of property other than cash, the amount of any such distribution will be accounted for at the fair market value of such property, as determined in accordance with procedures specified in the Governing Documents. An independent appraisal generally will not be required and is not expected to be obtained.

### *Monitoring Fee Acceleration*

Agreements made with portfolio companies may require the acceleration of future monitoring fees, transaction fees, corporate service fees and other fees payable by a portfolio company at the sale or public offering of such portfolio company and an agreed upon value of such fees may be paid

to the Adviser or an affiliate at such time. Although such prepaid or accelerated fees generally will be based on the anticipated level and duration of services that the Adviser believes at the time of such prepayment or acceleration are likely to be provided to the portfolio company, over time, they may be greater or less than the amount that is ultimately incurred with respect to services ultimately provided to such portfolio company.

#### *Alternative Investment Fund Managers Directive*

The European Union Alternative Investment Fund Managers Directive (the “AIFMD”) regulates the activities of certain private fund managers undertaking fund management activities or marketing fund interests to investors within the European Economic Area (“EEA”).

To the extent the Funds are actively marketed to investors domiciled or having their registered office in the EEA: (i) the Funds and the Adviser will be subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which will result in the Funds incurring additional costs and expenses; (ii) the Funds and the Adviser may become subject to additional regulatory or compliance obligations arising under national law in certain EEA jurisdictions, which would result in the Funds incurring additional costs and expenses or may otherwise affect the management and operation of the Funds; (iii) the Adviser will be required to make detailed information relating to the Funds and its investments available to regulators and third parties; and (iv) the AIFMD will also restrict certain activities of the Funds in relation to EEA portfolio companies, including, in some circumstances, the Funds’ ability to recapitalize, refinance or potentially restructure an EEA portfolio company within the first two years of ownership, which may in turn affect operations of the Funds generally. In addition, it is possible that some EEA jurisdictions will elect to restrict or prohibit the marketing of non-EEA funds to investors based in those jurisdictions, which may make it more difficult for the Funds to raise their targeted amount of capital commitments.

In the future, it may be possible for non-EEA alternative investment fund managers (“AIFMs”) to market an alternative investment fund (“AIF”) within the EEA pursuant to a pan-European marketing “passport,” instead of under national private placement regimes. Access to this passport may be subject to the non-EEA AIFM complying with various additional requirements under the AIFMD, which may include one or more of the following: additional conduct of business and organizational requirements; rules relating to the remuneration of certain personnel; minimum regulatory capital requirements; restrictions on the use of leverage; additional disclosure and reporting requirements to both investors and EEA home state regulators; independent valuation of an AIF’s assets; and the appointment of an independent depositary. Certain EEA Member States have indicated that they will cease to operate national private placement regimes when, or shortly after, the passport becomes available, which would mean that non-EEA AIFMs to whom the passport is available would be required to comply with all relevant provisions of the AIFMD in order to market to professional investors in those jurisdictions. As a result, if in the future non-EEA AIFMs may only market in certain EEA jurisdictions pursuant to a passport, the Adviser may not seek to market interests in the Funds in those jurisdictions, which may lead to a reduction in the overall amount of capital invested in the Funds. Alternatively, if the Adviser sought to comply with the requirements to use the passport, this could have adverse effects including, amongst other things, increasing the regulatory burden and costs of operating and managing the Funds and their investments, and potentially requiring changes to compensation structures for key personnel, thereby affecting the Adviser’s ability to recruit and retain these personnel.

### *United Kingdom Exit from the European Union*

On March 29, 2017, the United Kingdom (the “UK”) formally notified the European Council of its intention to leave the European Union (the “EU”) (commonly known as “Brexit”). Under the process for leaving the EU contemplated in article 50 of the Treaty on the Functioning of the EU, the UK left the EU on January 31, 2020 and entered an 11-month transitional period. During the transitional period (when most EU law will continue to apply in the UK), the UK and the EU will negotiate the terms of their future relationship. In addition, it is currently difficult for the Adviser to predict how Brexit will be implemented and what the economic, tax, fiscal, legal, regulatory and other implications will be for the asset management industry, the broader European and global financial markets generally and for private funds such as the Partnership and its investments. This uncertainty is likely to continue to impact the global economic climate and may impact opportunities, pricing, availability and cost of bank financing, regulation, values or exit opportunities of companies or assets based, doing business, or having service or other significant relationships in, the UK or the EU, including companies or assets held or considered for prospective investment by the Funds.

This uncertainty is likely to continue to impact trade within Europe, foreign direct investment in Europe, the scope and functioning of European regulatory frameworks (including with respect to the regulation of alternative investment fund managers and the distribution and marketing of alternative investment funds), industrial policy pursued within European countries, immigration policy pursued within EU countries, the regulation of the provision of financial services within and to persons in Europe and trade policy within European countries and internationally and the global economic climate and may impact opportunities, pricing, availability and cost of bank financing, regulation, values or exit opportunities of companies or assets based, doing business, or having service or other significant relationships in, the UK or the EU, including companies or assets held or considered for prospective investment by the Funds. The volatility and uncertainty caused by Brexit may adversely affect the value of the Funds’ investments and the ability to achieve the Funds’ investment objectives.

The future application of EU-based legislation to the private fund industry in the UK and the EU will ultimately depend on how the UK renegotiates its relationship with the EU. There can be no assurance that any renegotiated terms or regulations will not have a material adverse impact on the Funds and their investments, including the ability of the Funds to achieve its investment objectives. Brexit may result in significant market dislocation, heightened counterparty risk, a material adverse effect on the management of market risk and, in particular, asset and liability management due in part to redenomination of financial assets and liabilities, an adverse effect on the ability of the Adviser to manage, operate and invest on behalf of the Funds and increased legal, regulatory or compliance burden for the Adviser or the Funds, each of which may have a material negative impact on the operations, financial condition, returns or prospects of the Funds.

While the most immediate impacts on corporate transactions will likely be related to changes in market conditions, the development of new regulatory regimes and parallel competition law enforcement may have an adverse impact on transactions, particularly those occurring in, or impacted by conditions in, the United Kingdom and Europe.

Political parties in several other member states of the EU have proposed that a referendum similar to that held in the UK be held on their country's membership in the EU. It is unclear whether any other member states of the EU will hold such referendums, but if they do, further disruption can be expected.

### *Currency Risks*

The accounts of the Funds will be maintained in a currency or currencies determined by the Adviser, in its sole discretion. The value of an investment may fall substantially as a result of fluctuations in the currency of the country in which an investment is made as against the value of the currency of an investor's home jurisdiction.

### *Equity Risk*

The market price of securities owned by a Fund may go up or down, sometimes rapidly or unpredictably. A risk of investing in a Fund is that the equity securities in its portfolio will decline in value due to factors affecting equity markets generally or particular industries represented in those markets. The values of equity securities may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or related industries, such as labor shortages or increased production costs and competitive conditions within an industry. Equity securities generally have greater price volatility than fixed income securities.

### *General Market and Credit Risks of Debt Securities*

The Funds are permitted to invest, directly or indirectly, in debt securities. Such securities are subject to credit and interest rate risk.

"Credit risk" refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, subordination, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument and securities which are rated by rating agencies are often reviewed and may be subject to downgrade. Such securities may be rated below "investment grade" and may face ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower rated debt securities tend to reflect individual corporate developments to a greater extent than do higher rated securities, which generally react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher rated securities. Companies that issue lower-rated debt securities often are highly leveraged and may not have access to more traditional methods of financing. Trading in such securities may be limited or disrupted by an economic recession, resulting in an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn could affect adversely the ability of the issuers of such securities to repay principal and pay interest thereon and, therefore, increase the incidence of default for such securities.



“Interest rate risk” refers to the risks associated with market changes in interest rates. Factors that may affect market interest rates include, without limitation, inflation, slow or stagnant economic growth or recession, unemployment, money supply and the monetary policies of the Federal Reserve Board and central banks throughout the world, international disorders and instability in domestic and foreign financial markets. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

The Treasury Portfolio contains certain credit risks which may include, but not be limited to, exposure to uninsured deposits with financial institutions, unsecured corporate bonds and mortgage-backed securities. These exposures are actively monitored on a continuous basis and positions are reallocated based on changes in risk profile, market or economic conditions.

#### *Bank Loans*

Certain Funds will, from time to time, invest in interests in loans originated by banks and other financial institutions. The loans invested in by the Funds may include term loans and revolving loans, may pay interest at a fixed or floating rate and may be senior or subordinated. Purchasers of bank loans are predominantly commercial banks, investment funds and investment banks. As secondary market trading volumes for bank loans increase, new bank loans are frequently adopting standardized documentation to facilitate loan trading which should improve market liquidity. The global financial crisis of 2007-2008 resulted in unprecedented levels of illiquidity and volatility in the bank loan market. A decline in current market conditions could result in similar levels of illiquidity and volatility, which could decrease demand for bank loan trading. In addition, the Funds make investments in stressed or distressed bank loans which are often less liquid than performing bank loans.

Certain Funds may acquire interests in bank loans either directly (by way of sale or assignment) or indirectly (by way of participation). The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; however, its rights can be more restricted than those of the assigning institution. Participation interests in a portion of a debt obligation typically result in a contractual relationship only with the institution participating out the interest, not with the borrower. In purchasing participations, the Funds generally will have no right to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, and the Funds may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, the Funds will assume the credit risk of both the borrower and the institution selling the participation.

### *Non-Performing Nature of Debt*

Certain debt instruments purchased by the Funds may be non-performing and possibly in default at the time of such purchase. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to the loans.

### *Leveraged Investments*

While investments in highly leveraged companies offer the opportunity for capital appreciation, such investments also involve a high degree of risk. Some of the Funds' investments may involve high degrees of leverage, as a result of which recessions, operating problems and other general business and economic risks may have a more pronounced effect on the profitability or survival of the Funds' portfolio companies. A Fund's ability to achieve attractive rates of return on investments will depend on the ability of its portfolio companies to access sufficient sources of debt at attractive rates, including high yield debt. However, availability of capital from the debt markets is subject to volatility from time to time, and there may be times when a Fund might not be able to access those markets at attractive rates, or at all, when completing an investment. Also, increased interest rates generally increase portfolio company interest expenses. In the event any such portfolio company cannot generate adequate cash flow to meet debt service, the applicable Fund may suffer a partial or total loss of capital invested in the portfolio company. The availability of leverage also is subject to governmental and regulatory oversight, and certain governmental bodies (including the U.S. Federal Reserve System, the U.S. Office of the Comptroller of the Currency, the U.S. Federal Deposit Insurance Corporation and the European Central Bank) may restrict or otherwise discourage lending that results in companies leveraging large amounts of debt.

In addition, certain Funds expect to utilize leverage directly or indirectly including engaging in trading on margin by borrowing funds and pledging securities as collateral. While such use of borrowed funds increases returns if a Fund earns a greater return on the incremental investments purchased with borrowed funds than it pays for such funds, the use of leverage decreases returns if a Fund fails to earn as much on such incremental investments as it pays for such funds. The effect of leverage may therefore result in a greater decrease in the net asset value of a Fund than if such Fund were not so leveraged. Any use by a Fund of short-term margin borrowings will result in certain additional risks to such Fund. For example, the securities pledged to brokers to secure a Fund's margin accounts could be subject to a "margin call," pursuant to which the Fund would be required either to deposit additional funds with the broker or to suffer mandatory liquidation of the pledged securities to compensate for the decline in value. A sudden, precipitous drop in value of a Fund's assets accompanied by corresponding margin calls could force such Fund to liquidate assets quickly, and not for fair value, in order to pay off margin debt. In some circumstances, the broker-dealer from which a Fund has borrowed the money may have the right to liquidate collateral and/or terminate the Fund's brokerage and related legal agreements with little or no notice. At certain times, it may be difficult for a Fund to secure financing in order to employ leverage, which could negatively impact the return of such Fund.

### *Investment in Junior Securities*

The securities in which the Funds 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 a Fund's investment once made.

### *Tax-Related Risks*

Investment in a Fund involves numerous tax risks. The Funds or their investors may be subject to income or other tax in jurisdictions in which the Funds invest. Additionally, withholding taxes or branch taxes may be imposed on earnings of the Funds from investments in such jurisdictions. Also, local tax incurred in a jurisdiction by the Funds or vehicles through which they invest may not entitle investors to either (i) a credit against tax that may be owed in their respective home tax jurisdictions or (ii) a deduction against income taxable in such home jurisdictions by the investors.

The Adviser typically takes into account tax consequences when structuring the activities of the Fund; however, there is a risk that the United States Internal Revenue Service (and similar state and international taxing bodies) will not concur with the Adviser as to these tax consequences, resulting in a less favorable tax outcome than the Adviser had anticipated. In addition, tax laws and regulations applicable to a Fund are subject to change, and unanticipated tax liabilities could be incurred by investors as a result of such changes. A Fund may structure an investment in a portfolio company with respect to certain investors through the use of a blocker entity or another structure in seeking to accommodate the tax objectives of such investors and the Adviser has broad discretion in structuring transactions. The use of such different structures may result in a Fund's investors receiving different proceeds in a transaction.

Investors should consult their own tax advisors to determine the potential tax-related consequences of investing in a Fund.

### *Tax Information Exchange Regimes; FATCA Withholding Tax on Certain Non-U.S. Entities*

The United States, pursuant to the "Foreign Account Tax Compliance Act" or "FATCA" has entered into numerous intergovernmental agreements with various jurisdictions concerning the exchange of information as a means to combat tax evasion. In addition, the OECD has published a global Common Reporting Standard for the exchange of information pursuant to which many countries have now signed multilateral agreements. One or more of these information exchange regimes are likely to apply to the Funds and/or alternative investment vehicles, and may require the Adviser to collect and share with applicable taxing authorities information concerning investors (including identifying information and amounts of certain income allocable or distributable to them). An investor's failure to provide required information may result in expulsion from the Funds and/or alternative investment vehicles or other potential remedies. In addition, FATCA generally imposes a withholding tax of 30% on a non-U.S. entity's (including certain of the Funds') share of most payments attributable to investments in the United States, including dividends and interest, unless an exception applies. This withholding tax could, under certain limited circumstances, apply to the Opportunity Fund if it fails to comply with certain reporting obligations to the Cayman Islands.

### *Conflicting Investor Interests*

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

### *Risks Related to ERISA Investors in a Fund*

The Adviser intends to conduct the operations of the Funds so that the assets of the Funds will not be deemed to constitute “plan assets” of investors (“Benefit Plan Investors”) subject to the fiduciary provisions of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) or the prohibited transaction rules of Section 4975 of the Internal Revenue Code of 1986, as amended (the “Code”). If, however, any of the Funds were deemed to hold “plan assets” of Benefit Plan Investors, (a) if any such Benefit Plan Investors are subject to ERISA, ERISA’s fiduciary standards would apply to such Funds and might materially affect the operations of such Funds and (b) any transaction with such Funds could be deemed a transaction with each Benefit Plan Investor and may cause transactions into which such Funds may enter in the ordinary course of business to constitute prohibited transactions under ERISA and/or Section 4975 of the Code. ERISA imposes certain general and specific responsibilities and restrictions on fiduciaries with respect to plan assets. As a result, a Fund may be restricted from entering into certain transactions if the investment would violate ERISA with respect to the Fund, or may be obligated to take certain actions or refrain from taking certain actions in order to avoid a violation of ERISA with respect to the Fund.

### *Unfunded Pension Liabilities of Portfolio Companies and Similar Risks*

Recent 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. Certain of the Funds have in the past invested (and may in the future invest) in a portfolio company that has unfunded pension fund liabilities, including structuring the investment in a manner where the Funds may own an 80% or greater interest in such a portfolio company. If the Funds (or other 80%-owned portfolio companies of the Funds) were deemed to be liable for such pension liabilities, this could have a material adverse effect on the operations of the Funds and the companies in which the Funds invest. This discussion is based on current court decisions, statute and regulations regarding control group liability under ERISA as in effect as of the date hereof, which may change in the future as the case law and guidance develops.

In addition, certain portfolio companies controlled by a PE Fund may engage in other activities that could adversely affect another Fund and/or PE Fund portfolio company, including, for instance, as a result of laws and regulations or certain jurisdictions (such as bankruptcy,

environmental, consumer protection and/or labor or union laws) that may not recognize or permit the segregation of assets and liabilities between separate entities. Such jurisdictions may also allow for recourse against assets that are under common control with, or part of the same economic group as the entity that has incurred the liability. This may result in the assets of a Fund and/or a PE Fund portfolio company being used to satisfy the obligations or liabilities of another Fund or PE Fund portfolio company.

#### *Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes*

There continue to be discussions regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on the Funds' activities, including the ability of the Funds to effectively and timely address such regulations, implement operating improvements or otherwise execute their respective investment strategies or achieve their respective investment objectives.

#### *U.S. Federal Income Tax Liability Resulting from IRS Audits*

U.S. federal income taxes arising from a U.S. Internal Revenue Service ("IRS") audit will be paid by the Funds absent an election to the contrary. In addition, a "partnership representative" will have the power to act on behalf of the Funds and their investors in all IRS audits and other proceedings involving the Funds' U.S. federal income, loss, deductions, and credits.

#### *Delayed Tax Information*

The Funds may not be able to provide final tax filing information to investors for any given fiscal year until after the initial tax filing deadlines for investor tax returns. Accordingly, investors should plan to obtain extensions of the filing dates for their income tax returns. Each prospective investor should consult with its own adviser as to the advisability and tax consequences of an investment in the Funds.

#### *Tax Legislation Adversely Affecting Adviser Employees and Other Service Providers*

U.S. federal income tax legislation treats certain income allocations to service providers by a partnership (such as the Funds), including any carried interest or similar incentive allocation, as short-term capital gain taxed at higher ordinary income rates unless such partnership has held the asset which generated such gain for more than three years. This legislation could adversely affect the Adviser principals, employees or other individuals associated with the Funds or the Adviser who were or may in the future be granted direct or indirect interests in the Adviser or its affiliates entitling such persons to benefit from the Adviser's or its affiliates' incentive allocation. The legislation could reduce such persons' after-tax returns from the Funds and the Adviser, which could make it more difficult for the Adviser and its affiliates to incentivize, attract and retain individuals to perform services for the Funds, which may have an adverse effect on the Adviser's ability to achieve the investment objectives of the Funds. This could also create an incentive for the Adviser to cause a Fund to hold investments for a longer period than would be the case if such three-year holding period requirement did not exist.

### *Securities Law Matters*

The Funds' interests have been offered as a private placement to a limited number of investors and have not been registered under the Securities Act or the securities laws of any U.S. state or non-U.S. jurisdiction. Investors are generally required to make certain representations to the Funds, including that they are acquiring an interest in the Funds for their own account, for investment purposes only, and not for resale. The Funds are not registered under the Investment Company Act pursuant to an applicable exemption therefrom. Consequently, the investors will not be entitled to the protection of the Investment Company Act.

### *Changes in Applicable Law*

The Funds must comply with various legal requirements, including, but not limited to, requirements imposed by the Code and federal and state securities laws. If any of the laws and regulations currently in effect should change or any new laws or regulations should be enacted, the legal requirements to which the Funds and the investors may be subject could differ materially from current requirements and may materially and adversely affect the Funds and the investors.

### *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, natural disasters, epidemics or pandemics 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 increases 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 Funds and their 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 Funds and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon the Funds' portfolio companies.

### *General Economic and Market Conditions*

The state of the private equity industry, generally, and the success of the Funds' investment activities, specifically, will be affected by general economic and market conditions, as well as by changes in laws, trade agreements, currency exchange controls, and national and international political and socioeconomic circumstances. Such factors are unpredictable and cannot be controlled by the Adviser. Conditions such as financial market uncertainty, volatility, instability, illiquidity and/or decline, a generally unstable economic environment (including as a result of a slowdown in economic growth and/or changes in interest rates or foreign exchange rates) and/or a deterioration in the capital markets may negatively impact the availability of attractive investment opportunities for the Funds, the Funds' ability to make investments, the availability of funding to support the Funds' investment objectives, the performance and/or valuation of and/or risks

inherent in the Funds' investments (including the ability of portfolio companies to refinance debt securities, which may depend on their ability to sell new securities in the public high-yield debt market or otherwise), and/or the Funds' ability to dispose of investments. In addition, the public market comparable earnings multiples that are frequently used to value privately held portfolio companies and investors' risk-free rate of return may be impacted. In such an environment, the Funds may be more likely to pay reverse break-up, termination or other fees and expenses in the event the Funds are not able to close a transaction (whether due to lenders' unwillingness to provide previously committed financing or otherwise) and/or the inability of the Funds to dispose of investments at prices that the Adviser believes reflect the fair value of such investments. Such conditions could result in substantial or total losses to the Funds in respect of certain investments, which losses will likely be exacerbated by the presence of leverage in a portfolio company's capital structure.

Market events may also lead to a tightening of the global credit markets which could make it more difficult for financial sponsors like the Adviser to obtain favorable financing for investments. During the global financial crisis of 2007-2008, a widening of credit spreads, coupled with the deterioration of the sub-prime and global debt markets and a rise in interest rates, reduced investor demand for high yield debt and senior bank debt, which in turn led some investment banks and other lenders to be unwilling or less willing to finance new private equity investments or to only offer committed financing for these investments on less favorable terms than had been prevailing in the recent past. To the extent that such marketplace events re-occur, 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 an economic downturn could adversely affect the financial resources of corporate borrowers in which the Funds have invested and result in the inability of such borrowers to make principal and interest payments on outstanding debt when due. In the event of such defaults, the Funds may suffer a partial or total loss of capital invested in such companies, which could, in turn, have an adverse effect on the Funds' returns.

#### *Significant Developments Stemming From the U.S. Administration*

Public comments by key personnel within the U.S. administration have suggested that the administration may not be supportive of certain existing international trade agreements. Further, the administration has announced the withdrawal of the U.S. from certain proposed trade agreements, has supported greater restrictions on trade generally and has implemented significant increases on tariffs on goods imported into the U.S., particularly from China. At this time, it remains unclear what further actions the administration may take with respect to trade agreements, individual companies or countries, including whether and when additional tariffs may be placed on imports into the U.S., and the scope of any tariff that is imposed. The Adviser also cannot predict how other countries will respond to the administration's actions. For example, it is possible that legislation or regulations may be passed in other jurisdictions in response or related to any measures that may be imposed by the administration, including imposition of tariffs on U.S. goods imported into such jurisdictions. If the administration takes action to withdraw from or materially modify certain international trade agreements, or to implement greater restrictions on free trade and significant increases on tariffs or duties, the business, financial condition and results of certain of the Funds' portfolio companies, and the performance of the Funds' investments in general, could be materially adversely affected.

The administration has also indicated its intention to direct federal agencies to proceed with deregulating the financial services industry and certain industries in which the Funds may invest through a series of executive actions. However, such actions have been and may continue to be subject to judicial and/or congressional scrutiny and even if implemented, may be replaced by regulatory actions at the state level. While there can be no assurance that the administration will be successful in implementing such actions, any measures that are implemented in connection therewith may result in material changes to regulations and may impact the business operations and performance (even adversely) of the Funds' investments.

Changes in U.S. social, political, regulatory and economic conditions or in laws and policies governing foreign trade, manufacturing, development and investment in the jurisdictions in which the Funds may invest, and any negative sentiments towards the U.S. as a result of such changes, could adversely affect the performance of the Funds' investments. In addition, negative sentiments towards the U.S. among non-U.S. customers and among non-U.S. employees or prospective employees could adversely affect sales or hiring and retention, respectively, in portfolio companies.

The outcome of any future U.S. federal election and changes in the control of the U.S. federal legislative and executive branches during the Funds' terms could result in potential changes in laws and regulations affecting the private equity industry. The likelihood of occurrence and the effect of any such change is highly uncertain and could have an adverse impact on the Funds and the Funds' investments.

#### *Risks of Bankruptcy and Default of Portfolio Companies*

A Fund may make investments in portfolio companies that may experience financial difficulties and become insolvent or file for bankruptcy protection. Various U.S. and non-U.S. laws in connection with such bankruptcy proceedings could operate to the detriment of a Fund. There is also a risk that a court may subordinate a Fund's investment to other creditors or require a Fund to return amounts previously paid to it by a portfolio company that became insolvent or files for bankruptcy, a risk that could increase if a Fund has management rights in such portfolio company.

#### *Certain Effects of Default and Bankruptcy*

Each of a Fund's portfolio companies or its assets may be pledged to third parties, including senior lenders, and could be foreclosed upon or otherwise acquired by such parties under certain circumstances, including an incipient and/or unremedied default. In the event of the bankruptcy of a portfolio company, prior distributions to a Fund may be reclaimed if such prior payments are determined to have been "preference" payments under applicable bankruptcy and related laws and regulations. See "*Fraudulent Conveyance and Preference Considerations*," below. In addition, Funds may, from time-to-time, issue guarantees or otherwise enter into credit support arrangements with respect to financing arrangements undertaken by their portfolio companies. In the event of a default by a portfolio company of its obligations that are subject to such an arrangement, the applicable Fund's assets could be acquired by, or used to satisfy, the applicable lender(s) under certain circumstances.



### *Fraudulent Conveyance and Preference Considerations*

Various federal and state laws enacted for the protection of creditors may apply to the purchase of investments by a Fund, by virtue of such Fund's role as a creditor with respect to the borrowers under such investments. If a court in a lawsuit brought by an unpaid creditor or representative of creditors of a borrower, such as a trustee in bankruptcy or the borrower as debtor-in-possession, were to find that the borrower did not receive fair consideration or reasonably equivalent value for incurring indebtedness evidenced by an investment and the grant of any security interest or other lien securing such investment, and, after giving effect to the incurring of such indebtedness, the borrower (i) was insolvent, (ii) was engaged in a business for which the assets remaining in such borrower constituted unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could invalidate, in whole or in part, such indebtedness and such security interest or other lien as fraudulent conveyances, could subordinate such indebtedness to existing or future creditors of the borrower or could allow the borrower to recover amounts previously paid by the borrower to the creditor (including to a Fund) in satisfaction of such indebtedness or proceeds of such security interest or other lien previously applied in satisfaction of such indebtedness. In addition, in the event of the insolvency of an issuer of an investment, payments made on a Fund's investment could be subject to avoidance as a "preference" if made within a certain period of time (which may be as long as one year) before insolvency depending on a number of factors, including the amount of equity of the borrower owned by the Fund and its affiliates and any contractual arrangement between the borrower, on the one hand, and such Fund and its affiliates, on the other hand. The measure of insolvency for purposes of the foregoing will vary depending on the law of the jurisdiction which is being applied. Generally, however, a borrower would be considered insolvent at a particular time if the sum of its debts was greater than all of its assets at a fair valuation or if the then-present fair saleable value of its assets was less than the amount that would be required to pay its probable liabilities on its then-existing debts as they became absolute and matured. There can be no assurance as to what standard a court would apply in order to determine whether a borrower was insolvent after giving effect to the incurrence of the loan or that, regardless of the method of evaluation, a court would not determine that the borrower was "insolvent" upon giving effect to such incurrence.

In general, if payments on an investment are avoidable, whether as fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient (such as a Fund) or from subsequent transferees of such payments, including investors in the Funds.

### *Bridge Loans*

From time to time, the Funds may lend to portfolio companies on a short-term, unsecured basis in anticipation of a future issuance of equity or long-term debt securities. Such bridge loans would typically be convertible into a more permanent, long-term security; however, for reasons not always within the Funds' control, such long-term securities may not be issued and such bridge loans may remain outstanding. In such event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by the Funds.

## *Short Sales*

Certain Funds are permitted to make short sales of investment securities. In a short sale, the seller sells a security that it does not own, typically a security borrowed from a broker or dealer. Because the seller remains liable to return the underlying security that it borrowed from the broker or dealer, the seller must purchase the security prior to the date on which delivery to the broker or dealer is required. As a result, a Fund will engage in short sales only where the Adviser believes the value of the security will decline between the date of the sale and the date it is required to return the borrowed security. The making of short sales exposes a Fund to the risk of liability for the market value of the security that is sold and unlimited risk due to the lack of an upper limit on the price to which a security may rise. In addition, there can be no assurance that securities necessary to cover a short position will be available for purchase.

Several jurisdictions in which the Funds may trade have adopted reporting rules for short sales and short positions. If the Funds' short positions or their strategy becomes generally known, the Adviser's ability to implement the strategy could be adversely affected. In particular, it would make it more likely that other investors could cause a "short squeeze" in the securities sold short by a Fund, forcing it to cover its positions at a loss. In addition, if other investors engaged in copycat behavior by taking positions in the same issuers as the Funds, the cost of borrowing securities to sell short could increase significantly, and the availability of such securities to the Funds could decrease significantly. Such events could make the Funds unable to execute their investment strategy.

Regulatory authorities in several jurisdictions have also adopted bans on short sales of certain securities in response to market events such as the global financial crisis of 2007-2008. Bans on short selling may make it impossible for a Fund to execute certain investment strategies and may have a material adverse effect on such Fund's ability to achieve its investment objective.

## *Third-party Infringement Claims*

The Funds or their portfolio companies, from time to time, receive notices from persons or entities claiming that the Funds or such portfolio companies have infringed upon their intellectual property rights. The quantity of such claims may grow over time due to the fast pace of developments in the digital technology sector, increasing amounts of user-generated content, the extensive patent coverage of existing technologies, and the rapid rate of issuance of new patents. Additionally, portfolio companies may use "open source" software in their products, or may use such software in the future. Such open source software is generally licensed by its authors or other third parties under open source licenses. Licensing authors or third parties may allege that a portfolio company has not complied with the conditions of one or more of such licenses. To resolve these and other intellectual property infringement claims, the Funds and/or the portfolio companies may enter into royalty and licensing agreements on terms that are less favorable than currently available, stop selling or redesign affected products, or pay damages to satisfy indemnification commitments with customers, any of which may cause operating margins to decline. In addition to money damages, in some jurisdictions plaintiffs may be permitted to seek injunctive relief that may limit or prevent importing, marketing and selling products that utilize infringing technologies, and it is possible that such injunctive relief may be issued before the parties have fully litigated the validity of the underlying intellectual property rights.

### *Source Code Protection*

The development and protection of source code is critical to many businesses in the technology sector. If an unauthorized disclosure of a significant portion of a portfolio company's source code occurs, such portfolio company could potentially lose future trade secret protection for such source code. The loss of trade secret protection could make it easier for others to compete with such portfolio company's products by copying their functionality, which could adversely affect such portfolio company's revenue and operating margins. Unauthorized disclosure of source code could also increase security risks (e.g., viruses, worms, and other malicious software programs that may attack a portfolio company's products and services). Costs for remediating the unauthorized disclosure of source code and other cyber-security breaches may include those related to increased protection, reputational damage, loss of market share, liability for stolen assets or information and repairs to damaged systems. Remediation costs may also include incentives offered to maintain a portfolio company's business and/or customer relationships following a security breach.

### *Director Liability*

The Funds 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 Funds' representatives, and ultimately the Funds, to potential liability. Not all portfolio companies may 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 Funds' investment activities.

### *Risk of Third-Party Litigation*

A Fund's investment activities subject it to the risk of becoming involved in litigation by third parties. This risk is somewhat greater where a Fund exercises control of, or significant influence over, a company's direction. The outcome of such proceedings may materially adversely affect the value of the Funds and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of the Adviser's and the Adviser Personnel's time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would, absent certain conduct by the Adviser, be borne by a Fund, would reduce net assets and could require investors to return distributions to a Fund. The Adviser is generally entitled to be indemnified by a Fund in connection with such litigation, subject to certain limitations as set forth in the Governing Documents for such Fund.

### *Non-controlling Investments*

Certain of the Funds have in the past held (and may in the future hold) meaningful minority stakes in privately held companies and, in some cases, have had (and may in the future have) limited minority protection rights. In addition, during the process of exiting investments, certain of the Funds have in the past held (and may in the future hold) minority equity stakes of any size such as

might occur if portfolio companies are taken public. In such instances, the Funds have limited management and/or control rights with respect to the operation of such companies and are dependent on the decisions of the portfolio company and/or third-party investors. As is the case with minority holdings in general, such minority stakes that the Funds hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. Where the Funds hold minority stakes, it is generally more difficult for the Funds to liquidate their interests than it would be had the Funds owned a controlling interest in such company or were otherwise granted control and/or management rights alongside any such company and/or third party investor. Even if the Funds have contractual rights to seek liquidity of the Funds' minority interests in such companies, it can be very difficult to sell such interests or to seek a sale of such company upon terms acceptable to the Funds, especially in cases where the interests of the other investors in such company have different business objectives and goals.

In addition, the Funds have in the past co-invested (and may in the future co-invest) with other persons or entities through partnerships, joint ventures or other entities or arrangements as a co-venturer or partner. Such investments generally involve risks not present in investments where a third party is not involved, including the possibility that: (i) the Funds and such co-venturer reach an impasse on a major decision that requires the approval of both parties; (ii) a co-venturer or partner of such Fund has economic or business interests or goals that are inconsistent with those of the Funds; (iii) the co-venturer or partner may have financial, legal or regulatory difficulties, including liquidity or insolvency issues or becomes bankrupt; (iv) the co-venturer or partner is in a position to take action contrary to the Funds' respective investment objectives; (v) the co-venturer or partner takes actions that subject the property to liabilities in excess of, or other than, those contemplated; or (vi) in certain circumstances the Funds are liable for actions of its co-venturers or partners. Certain co-venturers or partners are expected to be joint venture partners or interest holders in joint ventures or other vehicles in which the Adviser or its affiliates has an interest or otherwise controls. From time to time, a co-venturer or partner is expected also to be entitled to receive payments from, or allocations or performance-based compensation (e.g., carried interest) in respect of, the Funds and/or such investments, and in such circumstances, any such amounts will not, even if they have the effect of reducing any retainers or minimum amounts otherwise be payable by the Adviser or its affiliates, be deemed paid to or received by such persons or entities or reduce the Advisory Fee. In addition, the Funds expect from time to time to co-invest with non-affiliated co-investors or partners whose ability to influence the affairs of the companies in which the Funds invest can be significant, and even greater than that of the Funds and, in such case, the Funds will be required to rely upon the abilities and management expertise of such co-venturer or partner. It is generally also more difficult for the Funds to sell their interest in any joint venture, co-investment, partnership or entity with other owners than to sell its interest in other types of investments (and in certain instances such investments are subject to a buy-sell right). The Funds expect to grant co-venturers or partners approval rights with respect to major decisions concerning the management and disposition of the investment, which would increase the risk of deadlocks or unanticipated exits from an investment. A deadlock could delay the execution of the business plan for the investment or require the Funds to engage in a buy-sell of the venture with the co-venturer or partner or conduct the forced sale of such investment or require alternative dispute resolution in order to resolve such deadlock. These risks potentially impair the Funds' ability to fully realize their expected return on any such investment. Further, to the extent that the Funds offer any co-investment opportunity to any investors or third parties, some or all of the risks described above also apply to such co-investments.

In circumstances in which third parties involve a management group, such third parties may receive compensation arrangements relating to such investments, including incentive compensation arrangements.

#### *Limitation of Recourse and Indemnification*

The Governing Documents generally limit the circumstances under which the Adviser and its affiliates will be held liable to the Funds. As a result, investors have a more limited right of action in certain cases than they would have in the absence of such provision. In addition, the Governing Documents generally provide that the Funds will indemnify the Adviser and its affiliates for certain claims, losses, damages and expenses arising out of their activities on behalf of the Funds. Such indemnification obligations could materially impact the returns to investors. Decisions made by a director of a Fund or a PE Fund portfolio company may subject the Adviser, its affiliates or a Fund to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other director-related claims. In general, the Funds will indemnify the Adviser and their partners, principals and employees from such claims. In addition, the employees of the Adviser serving as directors may make decisions for a portfolio company that negatively impact returns received by a Fund investing in the portfolio company.

#### *Recourse to the Funds' Assets*

The Funds' assets, including all investments made by the Funds and any capital held by the Funds, are generally available to satisfy all liabilities and other obligations of the Funds, including indemnification of the Adviser and others as provided in the Governing Documents or certain other contractual counterparty arrangements. If the Funds become subject to a liability, parties seeking to have the liability satisfied may have recourse to the Funds' assets generally and not be limited to any particular asset, such as the investment giving rise to the liability. The likelihood of a liability extending beyond the specific investment giving rise to the particular claim is greater than in other investment funds due to the fact that the Funds are expected to reinvest current income and investment proceeds from one portfolio company in other portfolio companies. Accordingly, investors could find their interests in the Funds' assets adversely affected by a liability arising out of an investment in which they did not participate in the event that, for example, they were excluded or excused from such investment by the Adviser.

#### *Season and Sell Transactions*

From time to time the Opportunity Fund expects to enter into loan origination transactions that would be conducted through a so-called "season and sell" structure. Under such arrangements, GGCOF would (either directly or indirectly through an entity formed for such purpose) originate loans and, after those loans have been held for a seasoning period (e.g., 90 days), would often sell a pro rata portion of such loans to GGCOF-A (or an entity owned by both GGCOF and GGCOF-A) at the then-current fair market values of such loans. However, since (1) the decision by GGCOF (or such originating entity) to originate the loans and (2) the decision by GGCOF-A (or such transferee entity) whether and at what price to acquire a portion of such loans would be made as separate, independent decisions, it is possible from time to time that certain loans originated by GGCOF (or such originating entity) may not subsequently be transferred to GGCOF-A or such transferee entity. As a result, GGCOF and GGCOF-A may hold different investments in their

respective loan portfolios, and GGCOF would bear all of the risk of the loans during the seasoning period and may be forced to retain a disproportionate amount of non-performing or other loans if GGCOF-A or such transferee entity elected subsequently not to purchase them. This potential difference in investments held by GGCOF and GGCOF-A, together with the different prices at which the loans would be acquired and the fact that GGCOF-A would not participate in loan origination fees, will potentially cause a divergence in the economic returns between GGCOF and GGCOF-A.

### *CLOs*

To finance investments, a Fund or one or more of its portfolio companies may securitize certain of its investments, including through the formation of one or more collateralized loan obligations (“CLOs”), while retaining all or most of the exposure to the performance of these investments. This would involve contributing a pool of assets to a special purpose entity, and selling debt interests in such entity on a non-recourse or limited-recourse basis to purchasers.

If a Fund establishes a CLO, the Fund will depend on distributions from the CLO’s assets to enable it to make distributions to investors. The ability of a CLO to make distributions will be subject to various limitations, including the terms and covenants of the debt it issues. For example, tests (based on interest coverage or other financial ratios or other criteria) may restrict a Fund’s ability, as holder of a CLO’s equity interests, to receive cash flow from these investments. There is no assurance any such performance tests will be satisfied. Also, a CLO may take actions that delay distributions in order to preserve ratings and to keep the cost of present and future financings lower, or the CLO may be obligated to retain cash or other assets to satisfy over-collateralization requirements commonly provided for holders of the CLO’s debt. As a result, there may be a lag, which could be significant, between the repayment or other realization on a loan or other assets in, and the distribution of cash out of, a CLO, or cash flow may be completely restricted for the life of the CLO. In addition, a decline in the credit quality of loans in a CLO due to poor operating results of the relevant borrower, declines in the value of loan collateral or increases in defaults, among other things, may force a CLO to sell certain assets at a loss, reducing its earnings and, in turn, cash potentially available for distribution to a Fund for distribution.

To the extent that any losses are incurred by the CLO in respect of any collateral, such losses will be borne first by a Fund as owner of equity interests. Finally, any equity interests that a Fund retains in a CLO will not be secured by the assets of the CLO and the Fund will rank behind all creditors of the CLO.

### *Valuation of Assets*

Because of the overall size of the Funds and the nature and maturities of positions held by the Funds, the value at which the Funds’ investments can be liquidated may differ, sometimes significantly from the interim valuations arrived at by the Adviser. In addition, the timing of liquidations may also affect the values obtained on liquidation. Securities to be held by the Funds may routinely trade with bid-ask spreads that may be significant. There is no actively traded market for most of the securities owned by the Funds. When estimating fair value, the Adviser will apply a methodology based on its best judgment that is appropriate in light of the nature, facts and circumstance of the investments and consistent with the terms of the applicable Governing

Documents. Valuations are subject to multiple levels of review for approval and ensuring that portfolio investments are fairly valued is an important focus of the Adviser. 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 differs from the prices at which such securities may ultimately be sold. At times, third-party pricing information may not be available for certain positions held by the Funds. With respect to the Funds, the exercise of discretion in valuation by the Adviser gives rise to conflicts of interest as these valuations impact the Adviser's track record and the Incentive Allocation in certain Funds is calculated based, in part, on these valuations and such valuations affect the amount and timing of the Incentive Allocation and calculation of Advisory Fees. In addition, the Funds hold loans or privately placed securities for which no public market exists. Valuations by the Adviser generally will be conclusive and binding on all investors.

### *Industry Relationships*

As with other private equity fund sponsors, as part of the Adviser's business, the Adviser and the Adviser Personnel have developed many relationships with third parties which have the potential to raise conflicts of interest. Such third parties include investment bankers, lenders, consultants, professional advisors (such as attorneys and accountants), co-investors, current and former directors, officers and employees of current and former portfolio companies and former employees and members of the Adviser. Certain of these third parties are expected to: (i) introduce investment opportunities to the Adviser; (ii) arrange for, or facilitate the financing of, the purchase or recapitalization of current and potential portfolio companies; (iii) introduce portfolio companies to potential acquisition or merger candidates; (iv) facilitate the disposition of portfolio companies; or (v) provide investment banking, consulting, legal or advisory services to the Adviser, the Funds, or the Funds' portfolio companies. Such third parties are also expected to provide goods or services to or have business, personal, political, financial or other relationships with the Adviser Personnel. In addition, such third parties are expected to invest in one or more of the Funds; co-invest in one or more portfolio companies; or provide other significant business or investment services to the Adviser, the Funds and/or their portfolio companies. These relationships have the potential to influence the Adviser in deciding whether to select or recommend any such third-party to perform services for the Funds or a portfolio company. The cost of any services provided by such third parties generally will be borne directly or indirectly by the Funds or its portfolio companies, as applicable.

### *Material Non-Public Information*

Each of the Adviser and certain of its affiliates are currently considered to be "inside the wall" with regards to trading restrictions based on the possession of material non-public information by the Adviser and certain of its affiliates. Accordingly, from time to time, the Adviser and its affiliates or personnel may come into possession of material, non-public information, including in connection with officer or director positions held by the Adviser's personnel, and such information may limit the ability of the Funds to buy and sell investments. To date, the Adviser has not deemed it appropriate to erect information barriers to restrict the transfer of confidential information between or among personnel of the Adviser and certain of its affiliates. In the absence of any such information barriers, or in the event any such information barriers are erected in the future and personnel of the Adviser or certain of its affiliates agree from time to time to "cross" any such

information barriers, the Adviser will be required to impose restrictions on transactions involving particular issuers in its sole discretion taking into account all factors it deems relevant in the collective interest of the Adviser, the Funds, their respective portfolio companies and funds of its affiliates. Consequently, the possession of material, non-public information by the Adviser or its respective affiliates or personnel may limit the ability of the Funds to buy and sell investments. Such inability to purchase or sell, or inability to purchase or sell at a desirable time or price, may be detrimental to the Funds. In determining a course of compliance with respect to material, non-public or other confidential information under the federal securities and other laws, the Adviser and its affiliates are generally authorized by the Governing Documents to make decisions regarding purchase or sale orders, or other transactions, with a view to the Adviser's and its affiliates' overall compliance with applicable law, even where such compliance may be at cost to one Fund or where the interests of one or more of the Adviser, the Funds, their portfolio companies or the funds of its affiliates may conflict (or be deemed to conflict) with the interests of another. In addition, the Adviser and its affiliates, as applicable, may be restricted by contract from using confidential information that it has for the benefit of a Fund.

#### *Side Letters*

The Adviser has entered, and expects in the future to enter, into a side letter or other similar agreement with a particular investor in connection with its admission to one or more of the Funds without the approval of any other investor, which would have the effect of establishing rights under or supplementing the terms of the Governing Documents with respect to such investor in a manner more favorable to such investor than those applicable to other investors and such rights may be significant. Such rights or terms in any such side letter or other similar agreement may include, without limitation, (a) excuse, exclusion or withdrawal rights applicable to particular investments or investors (which may increase the percentage interest of other investors in, and contribution obligations of other investors with respect to, certain investments); (b) reporting obligations of the Adviser; (c) waiver of certain confidentiality obligations; (d) consent of the Adviser to certain transfers by such investor; or (e) rights or terms necessary in light of particular legal, regulatory or public policy characteristics of such investor.

#### *Contingent Liabilities Upon Disposition*

In connection with the disposition of an investment, a PE Fund may be required to make (and/or be responsible for another person's or entity's breach of) representations and warranties, e.g., about the business and financial affairs of the applicable portfolio company, the condition of its assets and the extent of its liabilities, in each case generally in the nature of representations and warranties typically made in connection with the sale of similar businesses, and may be responsible for the content of disclosure documents under applicable securities laws. It may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents turn out to be inaccurate. These arrangements may result in contingent liabilities, which might ultimately have to be funded by investors in a PE Fund. The Governing Documents of a PE Fund typically contain provisions to the effect that if there is any such claim in respect of a portfolio company, it will be funded by the investors in the PE Fund, including, subject to certain limitations, by returning distributions received from the PE Fund.



## *Derivatives*

The Funds are generally entitled to invest in complex derivative instruments that seek to modify or replace the investment performance of particular securities, commodities, currencies, interest rates, indices or markets on a leveraged or unleveraged basis. These instruments generally have counterparty risk and may not perform in the manner expected by the counterparties, thereby resulting in greater loss or gain to the investors. These investments are all subject to additional risks that can result in a loss of all or part of an investment, in particular, interest rate and credit risk volatility, world and local market price and demand and general economic factors and activity. To the extent that these instruments are or become subject to regulatory “position limits” or other restrictions, the Funds may not be able to implement freely their respective investment strategies. Derivatives may have very high leverage embedded in them that can substantially magnify market movements and result in losses greater than the amount of the investment. Some of the markets in which the Funds may effect derivative transactions are over-the-counter (“OTC”) or “interdealer” markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of “exchange-based” markets. This exposes the Funds to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a credit or liquidity problem with the counterparty. See “Counterparty Risk,” below.

## *Counterparty Risk*

Certain markets in which the Funds may effect transactions are OTC or “interdealer” markets, and may also include unregulated private markets. The participants in such markets typically are not subject to the same level of credit evaluation and regulatory oversight as are members of “exchange-based” markets. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, might not be available in connection with such OTC transactions. This exposes the investor to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Funds to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Funds have concentrated their transactions with a single or small group of counterparties. The Funds may also be exposed to similar risks with respect to non-U.S. brokers in jurisdictions where there are delayed settlement periods. The Funds are generally not restricted from dealing with any particular counterparty or from concentrating any or all transactions with one counterparty. Moreover, the Adviser has no formal credit function which evaluates the creditworthiness of the Funds’ counterparties. The ability of the Funds to transact business with any one of a number of counterparties, the lack of any meaningful and independent evaluation of such counterparties’ financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Fund. Similar risks also arise in connection with derivative instruments and brokerage arrangements that the Fund may put in place. Certain Funds may hold derivative instruments that contain an element of risk in the event that the counterparties may be unable to meet the terms of such agreements. The Adviser seeks to minimize such risk exposure by limiting the counterparties with which the Funds enter into contracts to banks and investment banks who, at the time established, meet established credit and capital guidelines.

The Funds may only close out OTC transactions (including swaps and contracts for differences) with the relevant counterparty, and may only transfer a position with the consent of the particular counterparty. Also, if the counterparty defaults, the Funds will have contractual remedies pursuant to the agreement related to the transaction, but there is no assurance that contract counterparties will be able to meet their obligations pursuant to such contracts or that, in the event of default, the Funds will succeed in enforcing contractual remedies. There also may be documentation risk, including the risk that the parties may disagree as to the proper interpretation of the terms of a contract. If such a dispute occurs, the cost and unpredictability of the legal proceedings required for the Funds to enforce their contractual rights may lead the Funds to decide not to pursue their claims against the counterparty. Each Fund thus assumes the risk that it may be unable to obtain payments owed to it under contracts relating to over-the-counter transactions or that those payments may be delayed or made only after such Fund has incurred the costs of litigation.

In addition, the counterparties with which the Funds effect transactions may, from time to time, cease making markets or quoting prices in certain of the instruments. In such instances, the Funds may be unable to enter into a desired transaction in currencies, or to enter into an offsetting transaction with respect to an open position, which might adversely affect their performance. Further, in contrast to exchange-traded instruments, spot and option contracts and swaps on currencies do not provide a trader with the right to offset its obligations through an equal and opposite transaction. For this reason, in entering into spot or options contracts or swaps, the Funds may be required, and must be able, to perform its obligations under the contract.

#### *Derivative Clearinghouses and Exchanges; Required Central Clearing for Derivatives*

Historically, OTC derivatives (including, without limitation, swaps, certain options and other instruments) typically have been settled on an individual basis by the counterparties to the derivative instrument. As a result, each party to an OTC derivative has been subject to the risk that the other party will default on its obligations under the terms of the derivative instrument. See “Counterparty Risk,” above.

However, recently enacted legislation in the United States will require many derivatives that currently are entered into on an OTC basis to be cleared through a central clearinghouse. Other similar measures may also be proposed in other jurisdictions. It is expected that such recent legislation will lead to the standardization of the terms of any derivative instruments cleared in such manner. Any such standardized terms are yet to be finalized and, thus, it is not possible to assess the degree to which any such standardized terms might permit the Adviser to implement, or prevent the Adviser from implementing, the Funds’ respective investment programs. In such cases, if the Adviser were unable to utilize such alternate methods, the impact on the Funds could be substantial and adverse.

Additionally, there can be no assurance that any such clearinghouses or exchanges will in fact be established, or that they will provide clearing facilities or a market of sufficient size or scope to benefit the Funds. There can be no assurance that the Adviser would deem any such standardized terms to be suitable for implementing the Funds’ respective investment programs in all cases or in any particular case. Accordingly, the Funds may not trade or clear some or all of their derivative instruments on or through any such clearinghouse or exchange even if one were to become

available. In such cases, the Funds would remain subject to counterparty risk with respect to such instruments.

### *Prime Brokerage Risk*

There are risks involved in dealing with the custodians or prime brokers who settle trades. The Funds and investment vehicles in which they invest maintain custody accounts with several prime brokers and custodian banks. While the Adviser monitors exposure to prime brokers and custodians, there is no guarantee that these prime brokers and custodians, or any other prime broker or custodian that the Funds or such investment vehicles may use from time to time, will not become insolvent. While both the U.S. Bankruptcy Code and the Securities Investor Protection Act of 1970 seek to protect customer property in the event of a failure, insolvency or liquidation of a broker-dealer, there is no certainty that, in the event of a failure of a broker-dealer that has custody of a Fund's or such investment vehicles' assets, such Fund or investment vehicle would not incur losses due to its assets being unavailable for a period of time, ultimately less than full recovery of its assets, or both.

### *No Separate Outside Counsel*

Certain outside legal counsel ("Outside Counsel") represents the Adviser solely regarding specific matters with respect to which they have been retained and consulted by the Adviser, including certain matters with respect to the Funds and/or any of its portfolio companies. There may exist other matters which could have a bearing on the Funds, the Funds' investments, the Adviser and/or their respective affiliates as to which Outside Counsel has been neither retained nor consulted. Outside Counsel does not undertake to monitor the Adviser's or its affiliates' compliance with the investment program or other investment guidelines or procedures set forth in the Governing Documents, nor does Outside Counsel monitor compliance by the Funds, the Adviser or their affiliates with applicable laws, unless in each case Outside Counsel has been specifically retained to do so. Outside Counsel does not represent the investors and provides no advice, representation, warranty or other assurance of any kind as to any matter to any investor.

### *Handling of Mail*

Mail addressed to the Funds and received at its registered office will be forwarded unopened to the Funds to be dealt with at the forwarding address supplied by the Funds to the entity providing registered office services in the Funds' respective jurisdictions of organization. None of the Funds, the Adviser or any of their respective directors, officers, advisors or service providers (including the organization that provides registered office services in the Funds' respective jurisdictions of organization) will bear any responsibility for any delay howsoever caused in mail reaching the forwarding address. In particular, it is possible that the partners, members, managers, directors and officers of the Adviser will only receive, open or deal directly with mail that is addressed to them personally (as opposed to mail which is addressed just to the Funds), and that other personnel of the Adviser will handle such forwarded mail.

### *No Separate Personality*

Under Cayman Islands law, the Opportunity Fund is not a separate legal person distinct from its partners, and any rights or property of an exempted limited partnership (whether held in that

partnership's name or by any one or more of its general partners) shall be held or deemed to be held by the general partner upon trust as an asset of the exempted limited partnership in accordance with the terms of the applicable partnership agreement. Any debts or obligations incurred by the general partner in the conduct of an exempted limited partnership's business are the debts and obligations of the exempted limited partnership. Registration under the Exempted Limited Partnership Law (2018 Revision) (the "ELP Law") entails that the exempted limited partnership becomes subject to, and the limited partners therein are afforded the limited liability (subject to the applicable partnership agreement) and other benefits of, the ELP Law.

The business of an exempted limited partnership will be conducted by its general partner(s) who will be liable for all debts and obligations of the exempted limited partnership to the extent the exempted limited partnership has insufficient assets. As a general matter, a limited partner of an exempted limited partnership will not be liable for the debts and obligations of the exempted limited partnership save (a) as provided in the applicable partnership agreement, (b) if such limited partner becomes involved in the conduct of the exempted limited partnership's business and holds itself out as a general partner to third parties or (c) if such limited partner is obliged pursuant to the ELP Law to return a distribution made to it where the exempted limited partnership is insolvent and the limited partner has actual knowledge of such insolvency at that time.

#### *Data Protection Compliance*

Applicable laws and regulations related to privacy, data protection and information security could increase costs for the Funds and/or their portfolio companies, and a failure to comply with such laws and regulations could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations of the Funds and/or their portfolio companies.

Portfolio companies are generally subject to laws and regulations related to privacy, data protection and information security in the jurisdictions in which they do business. As privacy, data protection and information security laws and regulations are implemented, interpreted and applied, compliance costs may increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place. Applicable data protection and privacy laws include the General Data Protection Regulation (EU) 2016/679 ("GDPR") and the California Consumer Privacy Act of 2018, Cal. Civ. Code § 1798.100 et seq. and its implementing regulations (the "CCPA").

The data protection law previously in effect in the European Union was derived from the Data Protection Directive (Directive 95/46/EC) and had been implemented by national legislation across all 28 European Union member states. On May 25, 2018, the GDPR replaced the pre-existing legislation. The GDPR seeks to harmonize national data protection laws across the European Union, while at the same time modernizing the law to address new technological developments. As a regulation, the GDPR applies to data controllers and data processors in all European Union member states, immediately upon coming into effect, without the need for implementation in each member state. The GDPR notably has a greater extra-territorial reach than the pre-existing legislation and will have a significant impact on data controllers and data processors (i) with an establishment in the European Union, (ii) that offer goods or services to European Union data subjects or (iii) that monitor European Union data subjects' behavior within the European Union. The new regime imposes more stringent operational requirements on both data controllers and data

processors and introduces significant penalties for non-compliance, with fines of up to 4% of total annual worldwide revenue or €20 million (whichever is higher), depending on the type and severity of the breach.

The current ePrivacy Directive will also be repealed by the European Union Commission's Regulation on Privacy and Electronic Communications (the "ePrivacy Regulation"), which aims to reinforce trust and security in the digital single market by updating the legal framework on electronic privacy. A revised version of the ePrivacy Regulation was published in February 2020, and is expected to come into force in 2021.

In the United States, state consumer protection laws, including the California Consumer Privacy Act of 2018 ("CCPA"), which became effective on January 1, 2020, also establish privacy and security standards for use and protection of data. The CCPA provides California residents with certain rights regarding the collection or processing of their personal data, which may restrict our ability to use personal data. Failure to comply with the CCPA could result in penalties of up to \$7,500 per violation.

Compliance with current and future privacy, data protection and information security laws and regulations could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and some of the Funds' current or planned business activities. A failure to comply with such laws and regulations could result in fines, sanctions or other penalties, which could materially and adversely affect results of operations and the overall business of the Funds and/or their portfolio companies, as well as have an impact on reputation.

#### *GDPR - Fair Processing Information*

Investors should be aware that, in considering and/or making an investment in the Funds, and interacting with the Funds, their affiliates, agents, advisers and/or delegates by: (i) submitting the subscription materials, (ii) communicating through telephone calls, written correspondence and emails (all of which may be recorded); or (iii) providing personal data concerning individuals connected with the investor (such as directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners, advisers and/or agents), they will be providing the Funds, their affiliates, agents, advisers and/or delegates with personal data (as such term is defined in applicable European Union data protection legislation).

The Adviser has prepared a privacy notice, which provides further information regarding the personal data collected and used by it including in relation to the Funds, and the purposes for which such personal data is processed. This privacy notice is attached to the subscription agreement. Investors should read the privacy notice carefully before sharing any personal data in accordance with the steps described above.

#### *Cybersecurity Risks*

The Adviser, the Funds' service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the Funds and their investors, despite the efforts of the Adviser and the Funds' service providers to

adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Fund and its investors. For example, unauthorized third parties have in the past attempted (and may in the future attempt) to improperly access, modify, disrupt the operations of, or prevent access to these systems of the Adviser, the Funds' service providers, counterparties or data within these systems. Third parties have also in the past attempted (and may in the future attempt) to fraudulently induce employees, customers, third-party service providers or other users of the Adviser's systems to disclose sensitive information in order to gain access to the Adviser's data or that of the Funds' investors. A successful penetration or circumvention of the security of the Adviser's systems could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause the Funds, the Adviser or their service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss. In addition, the Adviser and the Funds have in the past incurred (and may expect in the future to incur) substantial costs related to forensic analysis of the origin and scope of a cybersecurity breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, adverse investor reaction or litigation. In particular, in the United States, the newly passed CCPA imposes a private right of action with damages of up to \$750 per person in the event of certain data breaches.

Similar types of operational and technology risks are also present for the companies in which the Funds invests, which could have material adverse consequences for such companies, and could cause the Funds' investments to lose value. Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject. To the extent that a portfolio company is subject to cyber-attack or other unauthorized access is gained to a portfolio company's systems, such portfolio company would 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 would be the subject of civil litigation or regulatory or other action. Any of such circumstances could subject a portfolio company, or the Funds, to substantial losses.

#### *Adequacy and Availability of Insurance; Catastrophic Events*

The Funds have in the past sought (and may in the future seek) to make investments where insurance and other risk management products (to the extent available on commercially reasonable terms) are utilized to mitigate the potential loss resulting from catastrophic events and other risks customarily covered by insurance. However, it is not always be practicable or feasible for portfolio companies to have prudent insurance and other risk management products. Moreover, it will not be possible to insure against all such risks, and such insurance proceeds as may be derived in a timely manner from covered risks may be inadequate to completely or even partially cover a loss of revenues, an increase in operating and maintenance expenses and/or a replacement or rehabilitation. Certain losses of a catastrophic nature such as those caused by wars, earthquakes, hurricanes, tornadoes, floods, terrorist attacks, pandemics or other similar events, may be either uninsurable or insurable at such high rates as to adversely impact the portfolio company's and/or

the Funds' profitability. In general, losses related to terrorism are becoming harder and more expensive to insure against, and most insurers are excluding terrorism coverage from their all-risk policies. As a result, it is unlikely that any of the Funds' investments will be insured against damages attributable to acts of terrorism (or certain other losses of a catastrophic nature). If a major uninsured loss were to occur with respect to an investment, the Funds could lose both their capital invested in, and anticipated profits related to, such investment. The Funds have in the past sought (and may in the future seek) to obtain representation and warranty insurance in connection with certain transactions in an effort to insure against losses from breaches of representations or warranties in the agreements related to such transaction. In particular, the Adviser expects to use such insurance in lieu of conducting more comprehensive due diligence when the Funds participate in a competitive bid process. Representation and warranty insurance could result in the Funds bearing, directly or indirectly, additional costs and expenses and is not a complete substitute for direct recovery against the counterparty to such transaction. Additionally, the market for representation and warranty insurance continues to evolve and insurers may not be able to adequately cover losses, particularly following an event that broadly affects the industry.

### *Capital Calls*

Capital calls will be issued by the Adviser from time to time at the sole discretion of the Adviser, based upon the Adviser's assessment of the needs and opportunities of the Funds. To satisfy such capital calls, investors may need to maintain cash or other assets that can be readily converted to cash equal to all or a substantial portion of their capital commitments. Except as specifically set forth in the Governing Documents or under applicable law, rule or regulation each investor's obligation to satisfy capital calls will be unconditional. An investor's obligation to satisfy capital calls will not in any manner be contingent upon the performance or prospects of the Funds or upon any assessment thereof provided by the Adviser. Capital calls may not provide all of the information an investor desires in a particular circumstance and such information may not be made available and will not be a condition precedent for an investor to meet its funding obligation. Additionally, and notwithstanding the foregoing, the Adviser will not be obligated to call 100% of the investor's capital commitment. The fees, costs and expenses incurred by an investor in fulfilling a capital call (e.g., bank fees, wire fees, value-added tax or other applicable charges imposed on an investor as well as internal and external administrative costs) will be borne solely by such investor and will be in addition to the amounts required by capital calls (and will not be part of or otherwise reduce such investor's capital commitments).

### *Regulation and Enforcement*

The growth of the private equity industry, and the increasing size and reach of transactions, has prompted additional governmental and public attention to the industry and its practices. The financial services industry generally, and the activities of private investment funds and their managers, in particular, have been subject to intense and increasing regulatory oversight. Such scrutiny may increase the Adviser's and the Funds' exposure to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight may impose administrative burdens on the Adviser, including, without limitation, responding to investigations and implementing new policies and procedures. Such burdens may divert the Adviser's time, attention and resources from portfolio management activities. It is anticipated that, in the normal course of business, the Adviser's officers will have contact with governmental authorities and/or be

subjected to responding to inquiries or examinations. Funds may also be subject to regulatory inquiries concerning their securities positions and trading.

In recent years, there have been governmental investigations and lawsuits over whether certain club deals or consortium bids constituted an illegal attempt to collude and drive down the prices of acquisitions. Consortium bids are deals in which two or more unaffiliated entities either provide equity financing or divide the target business being acquired. These transactions can range in size from the large private equity club deals in which the target remains intact to much smaller deals in which a target is broken up and sold to multiple strategic buyers. Private equity firms that engage in potentially anti-competitive practices in an otherwise permissible and lawful club deal could be liable for monetary damages to former shareholders of target companies and could be subject to U.S. Department of Justice (the “DOJ”) investigation and civil and criminal prosecution resulting in fines. The Antitrust Division of the DOJ has previously issued information requests relating to private equity transactions among multiple fund sponsors, and in 2014 several fund sponsors settled claims that they had conspired to not bid against each other on eight large “take-private” buyouts that occurred prior to the global financial crisis of 2007-2008. There can be no assurance that the Funds will not be subject to third-party litigation and/or investigations involving consortium bids.

In addition, numerous regulatory initiatives have been launched and significant legislation has been enacted as a result of the severe global market volatility and dislocations, financial institution failures and defaults and large financial frauds that occurred during the global financial crisis of 2007-2008. U.S. regulators, including the U.S. Federal Reserve System, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation have also recently warned banks against leveraged lending that load companies with large amounts of debt. Regulation generally, as well as regulation more specifically addressed to the private equity industry, including tax laws and regulation, whether in the U.S. or outside of it, could further increase the cost of acquiring, holding or divesting investments and the cost of operating the Funds, as well as harm the profitability of enterprises and interfere with the ability of the Funds to engage in certain transactions.

### *Sanctions Compliance Considerations*

Economic sanction laws in the United States and other jurisdictions may prohibit or otherwise restrict the Adviser, the Funds, the portfolio companies and their respective officers, directors and employees from engaging in transactions in or relating to certain countries and relating to certain individuals and entities. In the United States, the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) and U.S. Department of State administer and enforce laws, executive orders and regulations establishing U.S. economic and trade sanctions. Such sanctions prohibit, among other things, transactions with, and the provision of services to, certain foreign countries, territories, entities and individuals. These persons and entities include specially designated nationals and other persons and entities targeted by OFAC sanctions programs. The lists of OFAC restricted countries, territories, persons and entities, including the List of Specially Designated Nationals and Blocked Persons, as such list may be amended from time to time, can be found on the OFAC website at [www.treas.gov/ofac](http://www.treas.gov/ofac). In addition, certain programs administered by OFAC prohibit dealing with individuals or entities in certain countries regardless of whether such individuals or entities appear on the lists maintained by OFAC. These types of sanctions and



similar laws and regulations in non-U.S. jurisdictions significantly restrict the Funds' direct or indirect investment activities in certain countries. The economic sanctions and related laws of different jurisdictions in which the Funds make investments also may conflict with one another, such that compliance with all applicable laws may be difficult. The costs of monitoring compliance with OFAC or other relevant sanctions can be significant. Failure by the Adviser, the Funds or any of the Funds' portfolio companies to comply with OFAC or other relevant sanctions could have serious legal and reputational consequences, including civil and criminal penalties.

#### *Anti-Corruption & Anti-Boycott Considerations*

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

#### *Antitrust Laws, Regulation and Enforcement*

The growth of the private equity industry and the increasing size and reach of private equity transactions has prompted additional governmental attention to the industry and its practices. Acquisition by the Funds of equity securities may result in reporting and compliance obligations under the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and other similar laws, rules and regulations in non-U.S. jurisdictions ("Antitrust Laws"). Compliance with Antitrust Laws could significantly delay the closing of a transaction, lead to deal abandonment, increase the cost of operating the Funds, and/or infringe upon the ability of the Funds to engage in certain transactions.

#### *CFIUS & National Security/Investment Clearance Considerations*

Certain investments by the Funds that involve the acquisition of a U.S. business may be subject to review and approval by the U.S. Committee on Foreign Investment in the United States ("CFIUS") and/or non-U.S. national security/investment clearance regulators depending on the structure, beneficial ownership and control of interests in the Funds and industry sector of the U.S. business. In the event that CFIUS or another regulator reviews one or more of the Funds' proposed or existing investments, there can be no assurances that any Fund will be able to maintain, or proceed with, such investments on terms acceptable to the applicable Fund. CFIUS or another regulator may seek to impose limitations or restrictions on or prohibit one or more of a Fund's investments.

Such limitations or restrictions may prevent a Fund from maintaining or pursuing investments, which could adversely affect a Fund's performance with respect to such investments (if consummated) and thus such Fund's performance as a whole. In addition, certain of the limited partners in a given Fund are non-U.S. investors, and in the aggregate, and comprise a substantial portion of certain Funds' aggregate capital commitments, which increases both the risk that investments may be subject to review by CFIUS, and the risk that limitations or restrictions will be imposed by CFIUS or other non-U.S. regulators on such Fund's investments. In the event that restrictions are imposed on any investment by a Fund due to the non-U.S. status of a limited partner or group of limited partners or other related CFIUS or national security considerations, the Adviser may choose to restrict such limited partner's or such group of limited partners' ability to invest in any such portfolio investment and further, if applicable, restrict such limited partner's or such group of limited partners' rights to participate in or vote on certain decisions of the advisory or similar board of such Fund with respect to such investment. However, there can be no assurance that any restrictions implemented on any such limited partner or any such group of limited partners will allow such Fund to maintain, or proceed with, any investment. New regulations to reform CFIUS, which became effective on February 13, 2020, make certain CFIUS filings relating to investments in critical technology, critical infrastructure or data-intensive businesses mandatory. Any failure to make a mandatory filing could lead to adverse scrutiny and legal penalties. Moreover, CFIUS and non-U.S. national security considerations may limit or restrict the universe of suitable buyers for a portfolio investment, thereby reducing a Fund's ability to recognize value from exits and/or making exit transactions more difficult.

#### *Environmental, Social and Governance Matters*

While ESG is only one of the many factors the Adviser will consider in making an investment, there is no guarantee that the Adviser will successfully implement and make investments in companies that creates positive environmental, social or governance ("ESG") impact while enhancing long-term shareholder value and achieving financial returns. To the extent that the Adviser engages with companies on ESG-related practices and potential enhancements thereto, such engagements may not achieve the desired financial and social results, or the market or society may not view any such changes as desirable. Successful engagement efforts on the part of the Adviser will depend on the Adviser's skill in properly identifying and analyzing material ESG and other factors and their impact-related value, and there can be no assurance that the strategy or techniques employed will be successful. Considering ESG qualities when evaluating an investment may result in the selection or exclusion of certain investments based on the Adviser's view of certain ESG-related and other factors, carries the risk that the Adviser may underperform funds that do not take ESG-related factors into account because the market may ultimately have a different view of a particular company's performance than that anticipated by the Adviser.

Consideration of ESG factors may affect the Adviser's exposure to certain companies, sectors, regions, countries or types of investments, which could negatively impact the Adviser's performance depending on whether such investments are in or out of favor. Applying impact investing goals to investment decisions is qualitative and subjective by nature, and there is no guarantee that the criteria utilized by the Adviser or any judgment exercised by the Adviser will reflect the beliefs or values of any particular investor. In evaluating a company, the Adviser is dependent upon information and data obtained through voluntary or third-party reporting that may be incomplete, inaccurate or unavailable, which could cause the Adviser to incorrectly assess a

company's ESG practices and/or related risks and opportunities. ESG-related practices differ by region, industry and issue and are evolving, accordingly, and a company's ESG-related practices or the Adviser's assessment of such practices may change over time.

#### *Possibility of Fraud and Other Misconduct of Employees and Service Providers*

Misconduct by employees of the Adviser, service providers to the Adviser or the Funds and/or their respective affiliates could cause significant losses to such Funds. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by such Funds, the improper use or disclosure of confidential or material non-public information, which could result in litigation, regulatory enforcement or serious financial harm, including limiting the business prospects or future marketing activities of such Funds and noncompliance with applicable laws or regulations and the concealing of any of the foregoing. Such activities may result in reputational damage, litigation, business disruption and/or financial losses to such Funds. The Adviser has controls and procedures through which they seek to minimize the risk of such misconduct occurring. However, no assurances can be given that the Adviser will be able to identify or prevent such misconduct.

#### *Coronavirus Outbreak Risks*

The recent global outbreak of the 2019 novel coronavirus ("COVID-19"), together with resulting voluntary and U.S. federal and state and non-U.S. governmental actions, including, without limitation, mandatory business closures, public gathering limitations, restrictions on travel and quarantines, has meaningfully disrupted the global economy and markets. Although the long-term economic fallout of COVID-19 is difficult to predict, it has and is expected to continue to have ongoing material adverse effects across many, if not all, aspects of the regional, national and global economy. In particular, the COVID-19 outbreak has already, and will continue to, adversely affect the Funds' investments and the industries in which they operate. Furthermore, the Adviser's ability to operate effectively, including the ability of its personnel or its service providers and other contractors to function, communicate and travel to the extent necessary to carry out the Funds' investment strategies and objectives and the Adviser's business and to satisfy its obligations to the Funds, their investors, and pursuant to applicable law, has been, and will continue to be, impaired. The spread of COVID-19 among the Adviser's personnel and its service providers would also significantly affect the Adviser's ability to properly oversee the affairs of the Funds (particularly to the extent such impacted personnel include key investment professionals or other members of senior management), which could result in a temporary or permanent suspension of a Fund's investment activities or operations.

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

Item 9 is not applicable

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

The Adviser is affiliated with certain other advisers and general partners (together with the Adviser, the "Affiliate Advisers"), including, as described under Item 4 above, the following General Partners:

- Golden Gate Capital Management, LLC;
- Golden Gate Capital Management II, LLC;
- GGC Opportunity Fund Management, LP; and
- GGCOF Co-Invest Management, L.P.

The General Partners are deemed registered with the SEC under the Advisers Act pursuant to the Adviser's registration in accordance with SEC guidance. These affiliated investment advisers operate as a single advisory business and serve as managers or general partners of the Funds and other pooled vehicles and typically share common owners, officers, partners, employees, consultants or persons occupying similar positions.

Certain of the PE Funds have taken, and may in the future take, a minority or controlling interest in companies that operate within the broadly defined financial services industry. Certain of those companies may themselves be, or may have affiliates that are, registered with U.S. and/or foreign regulatory agencies or with State insurance agencies. Historically, these companies have included banking institutions, insurance and reinsurance entities, investment advisers and broker-dealers. Existing portfolio companies of the PE Funds are generally operationally independent from the Adviser, although there is from time to time cross-referral of clients between and among the Adviser and such companies. However, it is anticipated that in the future certain portfolio companies that operate within the financial services industry will have varying degrees of more or less operational independence from the Adviser in that (i) the Adviser will in some cases have some or substantial business dealings with such companies in connection with the advisory services that the Adviser provides to the Funds, (ii) the Adviser may conduct certain shared operations with such companies (including, with respect to Fund portfolio companies or their affiliates that are investment advisers ("Portfolio Company Advisers"), in connection with a Holding Company (as defined below) or otherwise), (iii) there may be more regular cross-referral of clients between and among the Adviser and such companies, and (iv) the Adviser may share certain supervised persons or premises with such companies.

Further to the above, the Adviser is presently affiliated with Nassau Reinsurance Group Holdings, L.P. (together with its subsidiaries, "Nassau"), Aperio Group, LLC ("Aperio") and the "AIC Group," which includes AICM and its affiliates, including Angel Island Capital Services, LLC ("AICS") and Pluribus Labs, LLC ("Pluribus"). Nassau, Aperio and AICM are registered as investment advisers with the Securities and Exchange Commission. AICM is a private equity investment of the Opportunity Fund, but AICM provides investment advisory services primarily in connection with direct and indirect investments in debt-related securities (including through total returns swaps and derivative instruments tied to debt securities), and has in the past provided (and is expected in the future to provide) such services, including as a sub-adviser, to the Adviser and the Funds. AICM currently serves as sub-adviser with respect to the Treasury Products. AICM has also in the past served (and AICM and/or certain other Portfolio Company Advisers may in the future serve) as an adviser or sub-adviser to certain portfolio companies or their affiliates, including Nassau, and has in the past received (and may in the future receive) fees in connection with such advisory or sub-advisory relationship. See "*Business with Portfolio Companies and Investors*" in Item 11 below for a description of conflicts applicable to portfolio

companies providing services to other portfolio companies. Sub-advisory services are generally performed on a non-discretionary basis under the overall direction of the Adviser, except in the case of the Treasury Products where the Adviser has granted AICM investment discretion over the Treasury Portfolio. The Adviser has in the past provided (and is expected in the future to provide) an extensive personal network and access to industry expertise to AICM, and certain Adviser Personnel (as defined in Item 11 below) also provide advice with respect to other activities of AICM. On occasion, clients and investment vehicles of AICM (the “AIC Funds”) and/or other Portfolio Company Advisers may also benefit from attractive non-traditional investment opportunities from the Adviser.

AICS is registered as a broker-dealer with the Securities & Exchange Commission and the Financial Industry National Regulatory Association. AICS may place securities and instruments issued by certain private investment funds, including, but not limited to, the Funds and other funds that the Adviser and related entities manage individually or through their principals.

AICS has in the past, and expects in the future, from time to time, to manage or otherwise participate in underwriting syndicates and/or selling groups with respect to securities and instruments issued by portfolio companies of a Fund and/or third parties, or be involved in the public or private placement of such securities. AICS does not currently expect to be the lead underwriter in such syndicates or groups. In connection with these transactions, AICS may directly or as part of an underwriting syndicate buy and/or commit to buy from such portfolio companies of Funds and/or third parties the securities issued. AICS may also, from time to time, participate in the syndication of opportunities to co-invest in portfolio companies alongside certain Funds and/or third parties and provide advisory services to portfolio companies of Funds and/or third parties. AICS may also (but is not currently anticipated to) act as the placement agent for a Fund in respect of securities or instruments issued by a Fund (although no commissions or other compensation would be received by AICS from such Funds or their investors for such service).

The relationship the Adviser has with AICS may give rise to a conflict of interest between the Adviser and the Funds that have an interest in any portfolio companies or investment vehicles with respect to which AICS provides services. In particular, the Adviser may have an incentive to seek to influence the decision by a portfolio company’s management to retain AICS, or to otherwise transact with AICS, instead of other unaffiliated broker-dealers or other service providers or counterparties that may be more effective or offer better terms. The Adviser could also have an incentive to structure portfolio company transactions, including related co-investment opportunities, so that they require the use of a broker-dealer (and consequently provide an opportunity for AICS to be retained by a portfolio company or acquisition company established for the relevant transaction and generate commissions, syndication fees, arranging fees or other compensation).

The Adviser generally will evaluate any such transactions on a case-by-case basis to address any such conflicts in accordance with its applicable internal policies and procedures. Transactions involving a Fund and AICS will also be reviewed with regard to the appropriateness of the transaction and any fiduciary obligations. In addition, it is expected that the Adviser will review such transactions to ensure that the requirements of Section 206(3) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), in respect of principal transactions between any Fund

and the Adviser or its affiliates (including AICS) are complied with in the context of such transactions.

For a more fulsome description of material conflicts of interest created by the Adviser's relationship with AICM and AICS, please see Item 11 below. Note that while the disclosures set forth herein and in Item 11 are generally limited to those conflicts of interest presented with respect to the investment advisory services provided by the Adviser directly to the Funds, such conflicts may also present themselves, directly or indirectly, in the context of transactions involving Portfolio Company Advisers and their clients and AICS, regardless of whether the Adviser is directly involved therein or such Portfolio Company Adviser or AICS is simply indirectly acting under the control and/or influence of the Adviser. Accordingly, where context permits, references to the "Funds" in the preceding two paragraphs and in Item 11 may be interpreted broadly to also include the AIC Funds and/or other clients of Portfolio Company Advisers.

AICS, AICM and other affiliates of the Adviser will receive fees, commissions and other compensation in respect of the foregoing activities (potentially including fees, commissions and other compensation from the Funds, their portfolio companies and/or the Adviser). AICS, certain AIC Funds and other affiliates of the Adviser may, in connection with such activities, from time to time hold positions in instruments or securities issued by portfolio companies of certain Funds. Furthermore, it is possible that AICS, which is owned and controlled by the Opportunity Fund, will participate as an underwriter, bookrunner or arranger for a security offering of a portfolio company that is owned, in full or in part, by a predecessor or successor PE Fund, which does not have an ownership interest in AICS. In such cases, investors in the predecessor or successor PE Fund will not benefit from any fees earned by AICS in connection with such activities. Furthermore, any compensation earned by AICS from a portfolio company in connection with its activities will be in addition to those fees payable to the Adviser (including, for the avoidance of doubt, any Other Fees) and will not be included for offset purposes (if any). In addition, AICM presently does, and may in the future, provide certain "back-office" support services to certain Funds and presently does, and may in the future, receive an asset-based fee in connection with such services.

While all fees, commissions and other compensation paid to AICS, AICM and other affiliates of the Adviser in respect of the foregoing activities would be, in the judgment of the Adviser and its affiliates, reasonable and generally charged at rates that the Adviser believes are at market rate for the relevant activities, such compensation may not in each case be negotiated at arm's length and from time to time may be in excess of fees, commissions or other compensation that would be charged by an unaffiliated third party.

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

#### **Code of Ethics**

The Adviser has adopted a written Code of Ethics that is applicable to the Adviser's partners, officers, directors (or other persons occupying a similar status or performing similar functions) and employees, as well as any other persons who provide investment advice on behalf of the Adviser and are subject to the Adviser's supervision and control (collectively, "Supervised Persons"). The Code of Ethics, which is designed to comply with Rule 204A-1 under the Advisers

Act, establishes guidelines for professional conduct and personal trading procedures, including a general restriction on personal securities transactions with only limited exceptions (e.g., for sale transactions and purchases in limited offerings where pre-clearance obligations are satisfied). Access Persons (as defined in the Code of Ethics) and their families and households may purchase investments for their own accounts, including the same investments as may be purchased or sold for a Fund, subject to the terms of the Code of Ethics and the Governing Documents. Under the Code of Ethics, Access Persons are also required to file certain periodic reports as required by Rule 204A-1 under the Advisers Act. The Code of Ethics helps the Adviser detect and prevent potential conflicts of interest.

Supervised Persons who violate the Code of Ethics may be subject to remedial actions, including, but not limited to, a letter of censure or suspension or termination of the employment of the violator. Supervised Persons are required to annually acknowledge compliance with the Code of Ethics.

A copy of the Code of Ethics is available to any client or prospective client upon written request to:

Chief Compliance Officer  
Golden Gate Private Equity, Inc.  
One Embarcadero Center, 39th Floor  
San Francisco, CA 94111  
(e) [compliance@goldengatecap.com](mailto:compliance@goldengatecap.com)

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

The Adviser and certain employees and affiliates of the Adviser have invested (and expect in the future to invest) in and alongside the Funds, either through the Adviser, as direct investors in the Funds or otherwise. A Fund or the Adviser, as applicable, have reduced (and expect in the future to reduce) all or a portion of the Advisory Fee and Incentive Allocation related to investments held by such persons. For further details regarding these arrangements, as well as conflicts of interest presented by them, please see “Conflicts of Interest” immediately below.

Due in part to the fact that potential investors in a Fund (including potential investors in a Co-Investment Fund (as defined below) or purchaser of a limited partner’s interests in a secondary transaction) often ask different questions and request different information, the Adviser may provide certain information to one or more prospective investors that it does not provide to all of the prospective investors or limited partners.

### **Potential Conflicts of Interest**

The Adviser, the Adviser Personnel and their affiliates engage in a broad range of activities, including investment activities for their own account (and/or for certain accounts of their family members or related persons) and for the account of other investment funds, and transaction-related, investment advisory, legal, management and other services to funds and operating companies. In connection with such activities, the Adviser, the Adviser Personnel and their affiliates will, from time to time, be subject to certain potential or actual conflicts of interest in connection with the activities of, and investments by, the Funds. In particular, the interests of a Fund at times will

conflict with the interests of the Adviser, other Funds or their portfolio companies, Co-Investment Funds or their respective affiliates or related entities. Certain of these conflicts of interest have been previously disclosed above, namely in Item 5 with respect to “*Advisory Fees; Other Fees*” and “*Allocation of Expenses*,” Item 6 with respect to “*Performance-Based Fees and Side-By-Side Management*,” Item 8 with respect to “*Illiquidity; Limited Transferability of Interests; Redemptions*,” “*New Investor Buy-In Amount*,” “*Reliance on the Adviser*,” “*Need for Follow-On Investments*,” “*Recycling/Reinvestment*,” “*Conflicting Investor Interests*,” “*Valuation of Assets*,” “*Industry Relationships*” and “*Material Non-Public Information*” and Item 10 with respect to the Adviser’s relationship with AICM and AICS. More fulsome descriptions of certain such conflicts of interest, as well as certain additional conflicts of interest and a description of how the Adviser addresses such conflicts of interest, can be found below, including in Item 12 with respect to “*Selection of Brokers and Dealers*.”

The Adviser has created and is authorized in the future to create one or more additional investment entities (each, a “Co-Investment Fund” and, collectively, the “Co-Investment Funds”) with a principal purpose of allowing employees of the Adviser and their affiliates or other persons affiliated with or retained or designated by the Adviser (including certain employees of the Adviser or its affiliates, key service providers, operating partners, operating executives, certain business associates, other “friends and family” of the Adviser or its personnel or other persons) to invest alongside one or more Funds. The terms of these entities will typically be more favorable to the investors therein than the terms offered to the investors in the applicable Fund(s). The Co-Investment Fund generally will invest proportionately in all transactions on effectively the same terms and conditions as the applicable Fund(s), subject to applicable legal, tax, regulatory or other similar considerations.

### *Resolution of Conflicts*

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

- (1) A Fund will not make an investment unless the Adviser or applicable sub-adviser believes that such investment is an appropriate investment considered from the viewpoint of such Fund;
- (2) Many important conflicts of interest will generally be resolved by set procedures, restrictions or other provisions contained in the Governing Documents;
- (3) Certain Funds have established an advisory committee, consisting of representatives of investors not affiliated with the Adviser. The advisory committees meet as required to consult with the Adviser as to certain potential conflicts of interest. On any issue involving actual conflicts of interest, the Adviser will be guided by its good faith discretion;



- (4) Where the Adviser deems appropriate, unaffiliated third parties may be used or referenced in resolving conflicts, such as the use of an investment banker to opine as to the fairness of a purchase or sale price or transaction pricing established by knowledgeable third parties; and
- (5) The Adviser has adopted and implemented certain policies and procedures designed to reduce certain conflicts of interest.

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

### *Conflicts*

There are numerous perceived and actual conflicts of interest between a Fund, on the one hand, and the Adviser, the Affiliate Advisers, other Funds or their portfolio companies (potentially including Portfolio Company Advisers and their clients and AICS), the Co-Investment Funds or their respective affiliates or related entities, on the other hand. The material conflicts of interest encountered by a Fund include those discussed below, although the discussion below does not necessarily describe all of the conflicts that may be faced by a Fund. Other conflicts may be disclosed throughout this Brochure and the Governing Documents, and the Brochure and the Governing Documents should be read in their entirety for other conflicts of interest. In addition, new and difficult types of conflicts of interest may subsequently arise.

### *Allocation of Investment and Co-Investment Opportunities; Related Conflicts*

In connection with its investment activities, the Adviser expects to encounter situations in which it must determine how to allocate investment opportunities among various clients and other persons, which may include, but are not limited to, the following:

- The Funds or their portfolio companies (potentially including Portfolio Company Advisers and their clients and AICS);
- Any co-investors or Co-Investment Funds that have been formed to invest side-by-side with one or more Funds in particular transactions entered into by such Fund(s) (the co-investors or investors in such Co-Investment Funds typically include (i) employees, key service providers, operating partners, operating executives, business associates and other friends and family of the Adviser or its personnel; (ii) individuals and entities that are also investors in one or more Funds (together with the individuals and entities identified in clause (i), "Adviser Investors"); and/or (iii) individuals and entities that are not investors in any Fund ("Third Parties"));
- Adviser Investors and/or Third Parties that wish to make direct investments (i.e., not through an investment vehicle) side-by-side with one or more Funds in particular transactions entered into by such Fund(s);

- Adviser Investors and/or Third Parties acting as “co-sponsors” with the Adviser with respect to a particular transaction;
- Accounts or pooled investment vehicles that could have an investment strategy that may be similar, but not identical, to certain of the Funds and are for the benefit of Adviser Investors and/or Third Parties; and
- Certain proprietary vehicles.

The Adviser makes allocation determinations consistent with the Funds’ Governing Documents and in accordance with its written policies and procedures relating to the allocation of investment opportunities, and will make allocation determinations consistently therewith.

The Funds are generally subject to investment allocation requirements (collectively, “Investment Allocation Requirements”). Investment Allocation Requirements are generally set forth in the Governing Documents. To the extent the Investment Allocation Requirements of a Fund do not include specific allocation procedures and/or allow the Adviser discretion in making allocation decisions among the Funds, the Adviser will follow the process set forth below.

The Adviser must first determine which Funds are eligible to participate in an investment opportunity. The Adviser assesses whether an investment opportunity is appropriate for a particular Fund based on the Fund’s investment objectives, strategies and structure, among additional factors that may restrict or limit the offering of an investment opportunity to the Fund. A Fund’s investment objectives, strategies and structure typically are reflected in the Fund’s Governing Documents. Prior to making any allocation to a Fund of an investment opportunity, the Adviser determines what additional factors may restrict or limit the offering of an investment opportunity to the Fund(s).

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

- Each Fund’s investment objectives and investment focus;
- Transaction sourcing (and with respect to an investment opportunity originated by a Third Party, the relationship of a particular Fund to or with such Third Party);
- Each Fund’s liquidity and reserves (including whether a Fund is able to commit to invest all capital required to consummate a particular investment opportunity);
- Each Fund’s diversification (including the actual, relative or potential exposure of a Fund to the type of investment opportunity in terms of its existing portfolio);
- Lender covenants and other limitations;
- Any “ramp-up” period of a newly established Fund;

- Amount of capital available for investment by each Fund as well as each Fund's projected future capacity for investment;
- Each Fund's targeted rate of return;
- Stage of development of the prospective portfolio company or other investment and anticipated holding period of the portfolio company;
- Composition of each Fund's portfolio and each Fund's investment concentration parameters (including, without limitation, parameters such as geography, industry, issuer, volatility, leverage or other similar risk metrics);
- The suitability as a follow-on investment for a current portfolio company of a Fund;
- The availability of other suitable investments for each Fund;
- Supply or demand of an investment opportunity at a given price level;
- Risk considerations;
- Cash flow considerations;
- Asset class restrictions;
- Industry and other allocation targets;
- Minimum and maximum investment size requirements;
- Tax implications;
- The seniority of an investment and other capital structuring criteria;
- Whether an investment opportunity requires additional consents or authorizations from a Fund, investors or Third Parties;
- Whether an investment opportunity would enable a Fund to qualify for certain programmatic benefits or discounts that are not readily available to other Funds including, but not limited to, the ability to enter into credit arrangements with certain financial or governmental institutions;
- Legal, contractual or regulatory constraints; and
- Any other relevant limitations imposed by or conditions set forth in the applicable offering and organizational documents of each Fund.

The Portfolio Company Advisers and AICS will have no duty to offer investment opportunities that they source to the Funds and the Adviser shall have no duty to offer investment opportunities sourced by it to the Portfolio Company Advisers or AICS. As a result, an opportunity that would have been appropriate for the Funds sourced by the Portfolio Company Advisers and/or AICS could be allocated only to their clients (and not the Funds), or vice versa. While it is generally expected that the investment strategies of the Funds are sufficiently distinct from those of the clients of Portfolio Company Advisers and/or AICS as to minimize any conflicts of interest with respect to investment allocation (except in the case of the Treasury Products where, although there is overlap, the Adviser believes such conflict is mitigated as a result of the highly liquid nature of the portfolio), there could be certain circumstances where a particular investment may be

appropriate for both a Fund and such client. For example, both the PE Funds and the clients of a Portfolio Company Adviser and/or AICS are permitted to make debt investments. However, while the PE Funds are permitted to invest in debt investments, those investments are typically in debt instruments with private equity-like attributes (often either having or being accompanied by equity conversion rights or warrants or similar equity kickers) including a higher level of risk, together with greater upside of return (including as a result of high, and fixed or escalating, interest rates, significant original issue discount and/or equity-related rights and benefits), which are unlikely to be within the investment strategies of such other clients. There can be no assurance that the application of the Investment Allocation Requirements and factors set forth above will result in a Fund participating in all investment opportunities that fall within its investment objectives.

In addition, the Adviser Personnel are permitted to invest directly in Co-Investment Funds and may therefore participate alongside the Funds in investments made by the Funds. Such interests will vary Co-Investment Fund by Co-Investment Fund and may create an incentive to allocate particularly attractive investment opportunities to the Co-Investment Fund in which such personnel hold a greater interest. The existence of these varying circumstances may present conflicts of interest in determining how much, if any, of certain investment opportunities to offer to a Fund or a Co-Investment Fund.

The Adviser then will determine if the amount of an investment opportunity exceeds the allocation to the Funds (after taking into account any portion of the opportunity allocated by contract to certain participants in the applicable deal, such as co-sponsors, consultants and advisors to the Adviser and/or the Funds or management teams of the applicable portfolio company, certain strategic investors and other investors whose allocation is determined by the Adviser to be in the best interest of the applicable Fund), and the Adviser reserves the right to offer any such excess to one or more co-investors pursuant to the procedures included in the applicable Governing Documents or, to the extent not addressed in such Funds' Governing Documents, in accordance with the following paragraphs. There may be circumstances where an amount that could have otherwise been invested by a particular Fund is instead allocated to one or more co-investors.

In addition, co-investment vehicles may be formed to make investments alongside a Fund. In such cases, the co-investment vehicle will have a priority right to make co-investments in some or all of the investments made by such Fund. The existence of such a priority right will significantly reduce or eliminate co-investment opportunities available to the investors.

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

Third Parties) may be offered co-investment opportunities, in the sole discretion of the Adviser or its related persons, and (v) co-investors may purchase their interests in a portfolio company at the same time as the Funds or may purchase their interests from the applicable Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell down or transfer), which generally will have been funded through Fund investor capital contributions and/or the use of a Fund credit facility. Each co-investment opportunity (should any exist) is likely to be different and allocation of each such opportunity will be dependent upon the facts and circumstances specific to that unique situation (e.g., timing, industry, size, geography, asset class, projected holding period, exit strategy and counterparty). Additionally, non-binding acknowledgements of interest in co-investment opportunities are not Investment Allocation Requirements and do not require the Adviser to notify the recipients of such acknowledgements if there is a co-investment opportunity. However, the Adviser from time to time agrees to give particular investors, Funds or other third parties priority access to co-investment opportunities. The existence of such priority co-investment access rights could affect the Adviser's decision to offer certain opportunities for co-investment and could limit the ability of Funds or their investors to be offered certain co-investment opportunities. To the extent the Adviser has made an explicit or implicit commitment to give co-investment opportunities to any investor or other third party in respect of future, unidentified transactions as of the date hereof, such commitment(s) generally will be disclosed to investors.

In exercising its discretion to allocate co-investment opportunities with respect to a particular investment among the potential co-investors, the Adviser considers some or all of a wide range of factors, which include, but are not limited to, its own interests and/or one or more of the following:

- The Adviser's evaluation of the size and financial resources of the potential co-investment party and the Adviser's perception of the ability of that potential co-investment party (in terms of, for example, staffing, expertise and other resources or similar synergies) to efficiently and expeditiously participate in the investment opportunity with the relevant Fund(s) without harming or otherwise prejudicing such Fund(s), in particular when the investment opportunity is time-sensitive in nature, as is typically the case (including whether the potential co-investment party has a complicated tax structure that would require particular structuring implementation or covenants that would not otherwise be required);
- Any confidentiality concerns the Adviser has that may arise in connection with providing the other account or person with specific information relating to the investment opportunity in order to permit such potential co-investment party to evaluate the investment opportunity;
- Whether a potential co-investment party has a history of participating in opportunities and the Adviser's perception of its past experiences and relationships with that potential co-investment party, such as the willingness or ability of the potential co-investment party to respond promptly and/or affirmatively to potential investment opportunities previously offered by the Adviser and the expected amount of negotiations required in connection with a potential co-investment party's commitment;

- The character and nature of the co-investment opportunity (including the potential co-investment amount, structure, geographic location, tax characteristics and relevant industry);
- Level of demand for participation in such co-investment opportunity;
- The ability of a potential co-investment party to aid in operating or monitoring a portfolio company or the possession of certain expertise by a potential co-investment party and the potential co-investment party's relationship with the management team of the potential portfolio company and whether the potential co-investment party has any existing positions in the portfolio company;
- Any interests a potential co-investment party has in any competitors of the portfolio company;
- The Adviser's perception of whether the investment opportunity may subject the potential co-investment party to legal, regulatory, competitive, confidentiality, reporting, public relations, media or other burdens that make it less likely that the other account or person would act upon the investment opportunity if offered;
- The Adviser's evaluation of whether a co-investment party's participation in the co-investment opportunity might increase regulatory obligations (through additional filing requirements or otherwise) and make a transaction more difficult to close;
- Risk diversification and hedging equity exposure for transactions requiring significant equity to be funded at closing;
- Covenants in Fund agreements limiting the amount of equity that can be committed to any particular investment;
- The nature of the minority protection rights and information rights requested by the potential co-investment party;
- The requirements of the conflict of interest provisions (if any) contained in the offering and/or organizational documents or investment advisory agreement of the relevant Fund;
- The Adviser's evaluation of whether a potential co-investment party has provided value in the sourcing, establishing relationship, participating in diligence and/or negotiations for such investment opportunity or is expected to provide value to the business or operations of a portfolio company post-closing;
- The Adviser's evaluation of whether the profile or characteristics of the potential co-investment party may have an impact on the viability or terms of the proposed investment opportunity and the ability of the Funds to take advantage of such opportunity (for example, if the potential co-investment party is involved in the

same industry as a target company in which a Fund wishes to invest, or if the identity of the potential co-investment party, or the jurisdiction in which the potential co-investment party is based, may affect the likelihood of a Fund being able to capitalize on a potential investment opportunity); and

- Whether the Adviser believes, in its sole discretion, that allocating investment opportunities to a potential co-investment party will help establish, recognize, strengthen and/or cultivate relationships that may provide indirectly longer-term benefits (including strategic, sourcing or similar benefits) to current or future Funds and/or the Adviser and whether the potential co-investment party has demonstrated a long-term and/or continuing commitment to the potential success of the current or future Funds and/or the Adviser.

The factors above are not listed in order of importance or priority and the Adviser is not required to, and does not, consider all of the factors, described above in any particular investment and some factors may be more or less important depending upon the nature of the particular investment and attendant circumstances.

The Adviser's exercise of its discretion in allocating investment opportunities with respect to a particular investment among the persons, including the Funds, Co-Investment Funds, Adviser Investors and Third Parties, and in the manner discussed above, often will not result in proportional allocations among such persons, and such allocations often will be more or less advantageous to some such persons relative to other such persons. For example, the Adviser may be incentivized to offer a co-investment opportunity to certain persons over others based on its economic arrangement with such persons (including, for example, whether the Adviser and/or the applicable general partners are entitled, under arrangements made with certain potential co-investment parties, to additional Advisory Fees and/or Incentive Allocations based on the availability of co-investment opportunities offered to such parties). While the Adviser determines how to allocate investment opportunities using its best judgment, considering such factors as it deems relevant, but in its sole discretion, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made will be as favorable as they would be if the conflicts of interest to which the Adviser is subject, discussed herein, did not exist. The Adviser will seek to make all allocations of investment opportunities in a fair and equitable manner, and will not favor or disfavor, consistently or consciously, any Fund or class of Funds in relation to any other Funds.

The Funds will, from time to time, enter into equity commitment arrangements whereby, subject to any applicable documentation, a Fund agrees that upon the closing of a transaction with respect to a potential portfolio company, it will purchase equity securities in a transaction. Furthermore, in certain instances the Funds will also enter into (a) limited guarantee arrangements whereby, subject to any applicable documentation, a Fund agrees that if a transaction with respect to a potential portfolio company is not consummated, it will pay a percentage of the total value of the transaction as a "reverse termination fee" to the seller entity and (b) full guarantee arrangements where such Fund agrees to close a transaction even if the debt financing for such transaction is not available or has not been funded. While certain co-investment vehicles with investments contractually tied to the Fund (including co-investment vehicles through which employees of the Adviser participate) are generally obligated to pay their proportionate share of the equity purchase

price (whether pursuant to the applicable Funds' Governing Documents or otherwise), such co-investment vehicles are generally not direct parties to the equity commitment arrangements or guarantees. Therefore, in the unlikely event that a co-investment vehicle defaults on such arrangement, the Fund would be held responsible for the entire equity purchase price, reverse termination fee or other obligations, as applicable.

In addition, to the extent the Adviser has discretion over a secondary transfer of interests in a Fund pursuant to such Fund's Governing Documents, or is asked to identify potential purchasers in a secondary transfer, the Adviser will do so in its sole discretion, generally taking into account the following factors:

- The Adviser's evaluation of the financial resources of the potential purchaser, including its ability to meet capital contribution obligations;
- The Adviser's perception of its past experiences and relationships with the potential purchaser, including its belief that the potential purchaser would help establish, recognize, strengthen and/or cultivate relationship that may provide indirectly longer-term benefits to current or future Funds and/or the Adviser and the expected amount of negotiations required in connection with a potential purchaser's investment;
- Whether the potential purchaser would subject the Adviser, the applicable Fund, or their affiliates to legal, regulatory, reporting, public relations, media or other burdens;
- A potential purchaser's investment into another Fund (including any commitment into a future Fund);
- Requirements in such Fund's Governing Documents; and
- Such other facts as it deems appropriate under the circumstances in exercising such discretion.

It should be noted that the existence of accounts established for the benefit of Adviser Investors and/or Third Parties could have a similar, but not identical, investment strategy as certain of the Funds which has the potential to create conflicts of interest that cannot be fully mitigated. For example, such accounts may, on occasion, invest in the same security and/or in the same issuer as the Funds. In addition, certain Adviser Personnel may be responsible for the management and/or operations of such accounts and those responsibilities may take away from the time such persons can spend on the activities of the Adviser (and, indirectly, the Funds).

### *Principal Transactions*

Section 206 of the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and its clients, on the other hand. Very generally, if an adviser (or an affiliate) purchases a security from or sells a security to a client, the adviser must disclose the terms of the transaction to the client and obtain the consent of the client prior to engaging in the



principal transaction. In connection with the Adviser's management of the Funds, the Adviser and/or its affiliates expect, from time to time, to in certain instances engage in principal transactions. The Adviser has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions. In connection therewith, the Adviser will make any disclosures required by Section 206 to the applicable Fund regarding any proposed principal transaction and obtain any required prior consent before executing a principal transaction (which consent may, in the case of certain Funds, take the form of pre-clearance for transactions occurring in installments).

### *Cross Transactions*

A cross transaction generally refers to a transaction where one Fund or client managed by the Adviser seeks to acquire an investment that another Fund or client managed by the Adviser seeks to sell. Cross transactions have the potential to create conflicts of interest because a Fund or client managed by the Adviser is on both sides of the transaction. The Adviser reserves the right to on occasion purchase a security or securities for one Fund or client managed by the Adviser (which, for purposes of this sentence, includes Portfolio Company Advisers and their clients) at the same time as a sale of the same security or securities for another Fund or client managed by the Adviser or may effect cross transactions between Funds or clients managed by the Adviser.

### *Warehousing*

Investments are from time to time, in whole or in part, warehoused in one Fund for the benefit of one or more other Funds. In the case of the AIC Funds, AIC Credit Opportunities, LLC has in the past, and reserves the right to in the future, warehouse investments for the benefit of AIC Credit Opportunities Master Fund, L.P. and/or AIC Credit Opportunities Partners Master Fund II, L.P. and/or, indirectly, their respective feeder funds. If the investment is not ultimately consummated by such other Fund, the warehousing Fund would end up holding a larger portion of the investment than it otherwise expected or desired to hold. The risk of an investment not being consummated generally would increase in the event an investment decreases in value during the warehousing period, potentially requiring the warehousing Fund to bear the losses in connection with the investment. The Adviser (or, in certain circumstances, the applicable sub-adviser) typically determines the cost of the investment in its sole discretion, taking into account its cost to the relevant Fund, the cost of capital and other factors, and may not charge such other Fund or investment vehicle an amount that accurately reflects any appreciation in the value of the investment or appropriately compensates the warehousing Fund for the costs and risks incurred during the holding period.

### *Conflicts With Respect to Purchases and Sales*

Funds (which, for purposes of this section, includes clients of the Portfolio Company Advisers) from time to time invest in (or purchases debt or equity securities from) an entity in conjunction with an investment being made by other Funds or in a transaction in which another Fund has already made a previous investment. Conflicts will likely arise in connection with such investments. Investment opportunities may be appropriate for Funds and certain other Funds at the same, whether in different or overlapping levels of a portfolio company's capital structure. Conflicts may arise in determining the terms of investments, particularly where these other Funds

may invest in different types of securities in a single portfolio company. Questions may arise subsequently as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced or restructured. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring raises conflicts of interest. In the event that one Fund has a controlling or significantly influential position in a portfolio company, it will have the ability to elect some or all of the board of directors of such a portfolio company, thereby controlling the policies and operations, including the appointment of management, future issuances of securities, payment of dividends, incurrence of debt and entering into extraordinary transactions. In addition, a controlling Fund is likely to have the ability to determine, or influence, the outcome of operational matters and to cause, or prevent, a change in control of such a company. Such management and operational decisions may, at times, be in direct conflict with other Funds that have invested in the same portfolio company that do not have the same level of control or influence over the portfolio company. Certain Funds invest in debt and securities of companies in which other Funds hold securities, including equity securities. In the event that such investments are made by a Fund, the interests of such Fund will at times be in conflict with the interest of such other Fund, particularly in circumstances where the underlying company is facing financial distress. The involvement of such persons at both the equity and debt levels could inhibit strategic information exchanges among fellow creditors. In certain circumstances, Funds are likely to be prohibited from exercising voting or other rights, and may be subject to claims by other creditors with respect to the subordination of their interest.

If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, the Funds may or may not provide such additional capital, and if provided each Fund will supply such additional capital in such amounts, if any, as determined by the Adviser. In addition, a conflict arises in allocating an investment opportunity if the potential investment target could be acquired by one or more Funds or their portfolio companies. Investments by more than one Fund in a portfolio company raises the risk of using assets of a Fund to support positions taken by other Funds, or that a Fund may remain passive in a situation in which it is entitled to vote. In addition, there may be differences in timing of entry into, or exit from, a portfolio company for reasons such as differences in strategy, existing portfolio or liquidity needs. In addition, where more than one Fund invest in the same portfolio company, there can be no assurance that such parties will dispose of investments at the same time and on the same terms. For example, because the Adviser may have an incentive to show realized returns in connection with other fundraising activities (including fundraising for a successor fund) and because one Fund's term may expire before the end of another Fund's term, such Funds may dispose of the investment at different times. Investments disposed of at different times will likely be disposed of at different valuations and, as a result, each Fund may realize different returns as compared to the same investment held by another Fund. These variations in timing may be detrimental to a Fund. At the same time, if the Adviser determines it is advisable for a Fund to exit an investment at the same time as another Fund, the term of which may expire sooner than the former Fund's, such Fund may dispose of its interest earlier than it ordinarily would have and may, as a result, experience lower returns than it otherwise may have earned on such investments.

The applicable Fund's Governing Documents and the Adviser's policies and procedures are expected to vary based on the particular facts and circumstances surrounding each investment by

two or more Funds in different classes of an issuer's capital structure (as well as across multiple issuers or borrowers within the same overall capital structure) and, as such, there may be a degree of variation and potential inconsistencies in the manner in which potential or actual conflicts are addressed. Employees and related persons of the Adviser have made and expect in the future to make capital investments in or alongside certain Funds, and therefore have additional conflicting interests in connection with these investments. In addition, Funds from time to time invest in securities of companies in which officers, principals, employees and other related persons of the Adviser and its affiliates have previously invested for their own accounts. There can be no assurance that the return of a Fund participating in a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed. A Fund may invest in opportunities that other Funds have declined, and likewise a Fund may decline to invest in opportunities in which other Funds have invested.

#### *Sales of Fund Investments to Investors or Co-Investors*

From time to time the Adviser may, in its discretion, enter into transactions with investors in one or more Funds, co-investors, Adviser Investors or Third Parties to dispose of all or a portion of certain investments held by one or more Funds. In exercising its discretion to select the purchaser(s) of such investments, the Adviser will comply with the requirements set forth in the Governing Documents of the applicable Fund(s), or to the extent not addressed in the Governing Documents of the applicable Fund(s), the Adviser will consider any factors it deems relevant in its sole discretion. The sales price for such transactions will be mutually agreed to by the Adviser and such purchaser(s); however, determinations of sales prices involve a significant degree of judgment by the Adviser. Although the Adviser is not obligated to solicit competitive bids for such sales transactions or to seek the highest available price, it will first determine that such transaction is in the best interests of the applicable Fund(s), taking into account the sales price and the other terms and conditions of the transaction. There can be no assurance, in light of the performance of the investment following such a transaction, that such transaction will ultimately prove to be the most profitable or advantageous course of action for the applicable Fund(s). Any such transactions will comply with the Governing Documents of the applicable Fund(s).

A Fund may sell down (and has, in certain situations, sold down) an interest in its portfolio companies to co-investors. Subject to the applicable Governing Documents, the Adviser is permitted to charge (or to decide not to charge) a co-investor (such as a Fund investor, an Adviser Investor or Third Party) interest or similar costs for the time period between the closing of the applicable Fund's investment in a portfolio company to the date of the transfer of interests in such portfolio company to the applicable co-investor.

#### *Participation of AICS in Fund Transactions*

As noted under Item 10 above, the Adviser has an affiliate, AICS, which is registered as a broker-dealer with the Securities & Exchange Commission and the Financial Industry National Regulatory Association. AICS is expected to from time to time participate in underwriting syndicates and/or selling groups with respect to securities or instruments issued by portfolio companies of the Funds and/or third parties, or may otherwise be involved in the public or private placement of such securities or instruments and the syndication of opportunities to co-invest

alongside certain Funds and third parties. AICS does not currently expect to be the lead underwriter in such syndicates or groups. In connection with these transactions, AICS may directly or as part of an underwriting syndicate buy from such portfolio companies of the Funds and/or third parties the securities issued. AICS and other affiliates of the Adviser expect, in certain circumstances, to receive fees, commissions and other compensation in respect of the foregoing activities (such fees will be in addition to Other Fees earned by the Adviser and are not expected to be included for offset purposes (as discussed previously herein)), and AICS, the Adviser and affiliates of the Adviser are permitted, in connection with such activities, from time to time to hold positions in instruments or securities issued by portfolio companies. AICS may (but is not currently anticipated to) act as the placement agent for a Fund (although no commissions or other compensation would be received by AICS from such Funds or their investors for such service). AICS may provide services and receive compensation from Funds, or one or more portfolio companies of such Funds, which do not have an ownership interest in AICS.

It is expected that the Adviser will review such transactions to ensure that the requirements of Section 206(3) of the Advisers Act in respect of principal transactions between any Fund and the Adviser or its affiliates (including AICS) are complied with in the context of such transactions.

### *Management of the Funds*

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

The Adviser is permitted, from time to time, to consider and reject an investment opportunity on behalf of one Fund, and, in such instances, the Adviser or an affiliate of the Adviser may subsequently determine to have another Fund or fund of the Adviser’s affiliate make an investment in the same company. A conflict of interest arises because one fund will, in such circumstances, benefit from the initial evaluation, investigation and due diligence undertaken by the Adviser on behalf of the original Fund considering the investment. In such circumstances, the benefitting fund(s) will generally not be required to reimburse the original Fund for expenses incurred in connection with researching such investment.

In addition, the Adviser receives and generates various kinds of portfolio company data and other information, including related to financial, industry, market, business operations, trends, budgets, customers, suppliers, competitors and other metrics. This information may, in certain instances, include material non-public information received or generated in connection with efforts on behalf

of one Fund's investment (or prospective investment) in a portfolio company. As a result, the Adviser is better able to anticipate macroeconomic and other trends, and otherwise develop investment strategies. It is possible that the Adviser in the future will enter into information sharing and confidentiality arrangements with portfolio companies and other sources of information that may limit the internal distribution and use of such data. It is possible that the Adviser in the future will in certain instances to use this information in a manner that may provide a material benefit to the Adviser, its affiliates, or to certain other Funds without compensating or otherwise benefitting the Fund or funds from which such information was obtained. In addition, the Adviser may have an incentive to pursue investments in portfolio companies based on the data and information expected to be received or generated. It is possible that the Adviser in the future will utilize such information to benefit the Adviser, its Affiliates or certain Funds in a manner that may otherwise present a conflict of interest but does not intend to specifically disclose such conflicts to the relevant funds.

The Adviser and its affiliates from time to time also enter into formal or informal arrangements with portfolio investments to facilitate the sharing of data and/or data analytics. Subject to applicable legal, regulatory and contractual requirements, these information sharing arrangements are designed to allow the Adviser, the Funds and the Funds' portfolio companies to better discern economic or other trends and developments. The Adviser believes that all Funds benefit from these arrangements in ways that would be impossible without the ability to aggregate data from across the Adviser's businesses and the Funds' portfolio companies. However, information sharing may involve conflicts of interest between the Funds and/or between the Funds and the Adviser. For example, data analytics based on inputs from one portfolio company may inform business decisions by other portfolio investments, or investment decisions by the Adviser and its affiliates, without the source of the data being directly compensated. The Adviser and its affiliates may utilize such data outside of Fund activities in a manner that provides a material benefit to the Adviser, without directly compensating or otherwise benefitting the Funds. As a result, the Adviser may have an incentive to pursue investments (on its own behalf or on behalf of the Funds) based on the data that may be accessible as a result of owning such investments, and/or to utilize such data in a manner that benefits the Adviser and/or investments held by other Funds.

The Funds may enter into borrowing arrangements that require the Funds to be jointly and severally liable for the obligations. If one Fund defaults on such arrangement, the other Funds will be held responsible for the defaulted amount.

#### *Conflicts Relating to AICM and the AIC Funds*

AICM serves as the investment adviser to the AIC Funds and has in the past provided (and is expect in the future to provide) such services, including as a sub-adviser, to the Adviser and the Funds. AICM currently serves as sub-adviser with respect to the Treasury Products. Both AICM and AICS are part of the AIC Group and, in turn, are indirectly owned by the Opportunity Fund. As such, all of AICM's expenses (including compensation for its personnel, certain entertainment, meals and travel expenses, which have historically included (and is expected in the future to include) expenses for chartered or first class travel incurred by AICM or reimbursement of the payment by AICM for payments made to its employees, consultants, and/or operating executives and may include equity incentives and/or co-investment rights) are indirectly borne by the Opportunity Fund. As the Adviser earns Advisory Fees and Incentive Allocation from the

Opportunity Fund, and the Opportunity Fund in turn indirectly benefits from any similar advisory fees and/or incentive allocation payable to AICM by the AIC Funds, the Adviser will benefit from the assets and gains of the AIC Group and such AIC Funds, but is not expected to directly bear any expenses of AICM.

A conflict of interest also exists in connection with the allocation of investment opportunities between the Funds and the AIC Funds. Although the Adviser expects that overlap with respect to the allocation of investment opportunities is unlikely and that the investment strategies of the Funds are sufficiently distinct from those of the AIC Funds (except in the case of the Treasury Products, where although there is overlap, the Adviser believes such conflict is mitigated as a result of the highly liquid nature of the portfolio), there is a risk that in certain circumstances an investment could be appropriate for both a Fund and such AIC Fund.

With respect to the Treasury Products, the Adviser serves as the investment adviser and AICM serves as the sub-adviser. AICM has also served as the sub-adviser in prior periods with respect to certain other private investment funds which, at such time, were Adviser clients. As AICM is indirectly wholly owned and controlled by the Opportunity Fund, which in turn is controlled by the Adviser, the Adviser may be deemed to control AICM. As a result of this control, the Adviser has influence on the determination of the terms of these sub-advisory arrangements (including the fees to be paid by the Adviser to AICM) and such terms are not disclosed to investors in the Opportunity Fund (nor will any fees paid reduce the amount of Advisory Fees paid by the Opportunity Fund to the Adviser). Although any such sub-advisory terms (including fees) are intended to be based on arms-length, market terms, given that the Adviser controls AICM, but does not have a direct ownership interest in AICM, a conflict of interest may exist in the determination of such terms (including fees) in the applicable sub-advisory agreements.

In addition, certain of the Adviser's employees, operating partners, operating executives, strategic partners, and other outside investors invest in the AIC Funds. Investments by such persons generally will be on a reduced fee and/or carry basis, and such investors may receive other preferential terms.

AICM and its affiliates have in the past and may, from time to time, in the future provide loan services to the Adviser's other portfolio companies, or to lending syndicates in which they participate, and will generally be entitled to servicing fees and expense reimbursements for such activities. Such services may include sourcing of loans, due diligence of loans and general servicing or administration services in respect of loan portfolios. In addition, AICM is a credit underwriter for the Adviser's other portfolio companies, and may continue to make loans to such portfolio companies in the future. Conflicts of interest may arise from this underwriting and servicing relationship.

#### *Conflicts Relating to Other Portfolio Company Advisers and their Clients*

The Adviser has in the past and reserves the right to, from time to time, in the future cause the Opportunity Fund to acquire (directly or indirectly) Portfolio Company Advisers in addition to AICM. These other Portfolio Company Advisers may be held directly by the Opportunity Fund or by a Holding Company (see the discussion of Holding Companies below in "*Other Potential Conflicts*" for additional information). In either case, such Portfolio Company Adviser's expenses

(including compensation for their respective personnel, certain entertainment, meals and travel expenses, which have historically, and may in the future, include expenses for chartered or first class travel incurred by such parties or reimbursement of the payment by such parties for payments made to their employees, consultants, and/or operating executives and may include equity incentives and/or co-investment rights) will be indirectly borne by the Opportunity Fund. The compensation received by investment personnel employed by Portfolio Company Advisers is expected to be significant and, despite the fact that such personnel provide investment advisory services, is indirectly borne by the Opportunity Fund (as opposed to the Adviser). In certain cases, the Adviser will bear such expenses directly and subsequently be reimbursed by the Portfolio Company Adviser. In addition, in the event the Opportunity Fund is an investor in one or more investment vehicles of the Portfolio Company Adviser, the Opportunity Fund will also bear any expenses allocated by such Portfolio Company Adviser to such investment vehicle in accordance with its respective governing documents. As the Adviser earns Advisory Fees and Incentive Allocation from the Opportunity Fund, and the Opportunity Fund in turn indirectly benefits from any similar advisory fees and/or incentive allocation payable to the Portfolio Company Advisers by their respective clients, the Adviser will benefit from the assets and gains of such Portfolio Company Advisers and their clients, but is not expected to directly bear any expenses of such Portfolio Company Advisers.

In addition, certain of the Adviser Personnel as well as the Adviser's operating partners, operating executives, strategic partners, and other outside investors are clients of and/or invest (directly or indirectly) in funds managed by Portfolio Company Advisers. As a result, there is a conflict of interest with such arrangements that such investments adviser could give Adviser personnel more favorable terms relating to their investments. In certain instances, investments by such persons are in fact on a reduced fee and/or carry basis, and such investors may receive other preferential terms.

#### *Follow-on Investments*

Investments to finance follow-on acquisitions present potential conflicts of interest, including determination of the equity component and other terms of the new financing as well as the allocation of the investment opportunities in the case of follow-on acquisitions by one Fund (which, for purposes of this paragraph, includes Portfolio Company Advisers and their clients) in a portfolio company in which another Fund has previously invested. In addition, a Fund may participate in leveraging and recapitalization transactions involving portfolio companies in which a predecessor Fund has already invested or will invest, which may result in significant dilution to the investment by the predecessor Fund. Conflicts of interest arise, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms.

#### *Investor Information Disparities*

Due in part to the fact that potential investors in a Fund (including potential investors in a Co-Investment Fund or potential purchasers of a limited partner's interest in a secondary transaction) often ask different questions and request different information, the Adviser may provide certain

information to one or more prospective investors that it does not provide to all of the prospective investors or limited partners. In addition, as noted above, the Adviser has in certain instances entered into economic and/or other fee sharing arrangements with respect to one or more Funds and/or certain limited partners thereof, the rights of which will not generally be made available to other limited partners, which may result in such limited partners receiving greater or different information regarding the Adviser.

In addition, the Adviser may establish separate accounts with portfolios materially similar to those of one or more Funds. Consequently, the relevant separate account client may have access to information about such portfolio holdings before investors in such Fund.

#### *Conflicts Relating to the Adviser*

The Adviser is permitted, in its discretion, to contract with any related person of the Adviser (including but not limited to a portfolio company of a Fund) to perform services for the Adviser in connection with its provision of services to the Funds (which, for purposes of this section, includes Portfolio Company Advisers and their clients). When engaging a related person to provide such services, the Adviser has an incentive to recommend the related person even if another person may be more qualified to provide the applicable services and/or can provide such services at a lesser cost.

In addition, the Adviser generally may, in its discretion, recommend to a Fund or to a portfolio company thereof (in response to a solicitation for a recommendation or otherwise) that it contract for services with certain service providers, and from time to time such service providers will include: (i) the Adviser or a related person of the Adviser (including but not limited to a portfolio company of a Fund) or (ii) an entity with which the Adviser or its affiliates or a member of their personnel has a relationship or from which the Adviser or its affiliates or their personnel otherwise derives financial or other benefit, including relationships with joint venturers or co-venturers, or relationships where Adviser personnel are seconded, or from which Adviser receives secondees or (iii) certain limited partners or their affiliates. When making such a recommendation, the Adviser, because of its financial or other business interest, has an incentive to recommend the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

The Adviser, its affiliates, and equityholders, officers, principals and employees of the Adviser and its affiliates may buy or sell securities or other instruments that the Adviser has recommended to Funds. Officers, principals and employees of the Adviser may also buy securities in transactions offered to but rejected by Funds. In addition, officers and employees may also buy securities in other investment vehicles (including private equity funds, hedge funds, real estate funds and other similar investment vehicles) which may include potential competitors of the Funds and/or counterparties to transactions with the Funds. The transactions described above are subject to the policies and procedures set forth in the Adviser's Code of Ethics and investors will not benefit from any such investments. The investment policies, fee arrangements and other circumstances of these investments may vary from those of the Funds. Please see "*Allocation of Investment and Co-Investment Opportunities; Related Conflicts*" above for additional information relating to how allocations of investment opportunities are generally addressed by the Adviser.



Because certain expenses are paid for by Funds and/or portfolio companies or, if incurred by the Adviser, are reimbursed by a Fund and/or portfolio companies, the Adviser may not necessarily seek out the lowest cost options when incurring (or causing a Fund or portfolio companies to incur) such expenses. Although the Adviser generally seeks appropriate rates for services, it reserves the right to prioritize prior usage, perceived sector competence or expertise, familiarity, onboarding speed or other factors in retaining or recommending service providers.

### *Fee Structure*

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

Pursuant to the Governing Documents, the General Partner may elect to receive its Incentive Allocation in the form of an in-kind distribution of securities of a portfolio company, including for purposes of permitting one or more General Partner personnel to donate such securities to charity (which may include private foundations, fund or other charities so chosen by such personnel). Any tax efficiencies to such General Partner personnel associated with this form of charitable giving may have the effect of reinforcing or enhancing the General Partner's incentives otherwise resulting from the existence of its Incentive Allocation and, therefore, the General Partner may have a conflict of interest in making decisions on behalf of the Funds (including, for instance, the timing of disposition of investments).

### *Fund Level Borrowing*

The Funds reserve the right to borrow funds or enter into other financing arrangements for various reasons from time-to-time, including to pay Fund expenses, to pay Advisory Fees, to make or facilitate new or follow-on investments (including borrowings pending receipt of capital contributions from investors), to make payments under hedging transactions, to cover any shortfall resulting from an investor's default or exclusion. If a Fund borrows in lieu of calling capital to fund the acquisition of an investment, the borrowing would be used for all limited partners in such Fund on a pro-rata basis, including the General Partner. In addition, credit facilities for certain Funds could be used to provide borrowed funds directly to the portfolio companies of such Funds, in which case such borrowed funds would be guaranteed by such Funds.

To the extent a Fund uses borrowed funds in advance or in lieu of capital contributions, such Fund's investors generally make correspondingly later capital contributions, but such Fund will bear the expense of interest on such borrowed funds. As a result, such Fund's use of borrowed funds will impact the calculation of net performance metrics (to the extent that they measure investor cash flows) and generally will make net IRR calculations higher than they otherwise would be without fund-level borrowing as these calculations generally depend on the amount and timing of capital contributions. It is expected that the interest will accrue on any such outstanding borrowings at a lower rate than any preferred return, which will begin accruing when capital contributions to fund such investments, or repay borrowings used to fund such investments, are actually made to the relevant Fund. Thus, while such Fund will bear the expense of borrowed

funds, such borrowings can also increase certain of the Advisory Fees and the Incentive Allocation received by such Fund's General Partner by decreasing the amount of distributions from such Fund that are required to be made to Fund investors in satisfaction of any preferred return or IRR-based performance requirements (in accordance with a particular Fund's Governing Documents). The General Partner therefore has a conflict of interest in deciding whether to borrow funds because the General Partner may receive disproportionate benefits from such borrowings. In addition, as noted in Item 8 above with respect to "*Recycling/Reinvestment*," the Adviser has the right, pursuant to the Opportunity Fund's Governing Documents, to recycle proceeds from private equity investments in an aggregate amount of up to 20% of the base capital commitments of the investors to the then-current series during the commitment period of such series, and proceeds from liquid investments generally may be recycled without limitation. To the extent any such funds are in fact recycled, the same conflicts described above in this paragraph would likewise be manifest.

In addition, the batching of capital calls may amplify the magnitude of potential defaults by investors as a result of there being fewer but larger capital calls. To the extent a subscription facility is due upon demand by a lender (such as upon an event of default or otherwise), such a demand may be issued at an inopportune time at which liquidity is generally constrained, potentially resulting in greater defaults as a result of such liquidity constraints and/or investors facing similar capital calls in multiple funds and being unable to satisfy all such demands simultaneously. Moreover, the existence of a subscription facility may impair an investor's ability to transfer its interest in a Fund as a result of restrictions imposed on such transfers by the lender.

Conflicts of interest also have the potential to arise to the extent that Fund-level borrowing 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 facility and neither the relevant Fund nor investors generally will be compensated for providing the relevant guarantee(s) or being subject to the related costs, expenses and/or liabilities.

Borrowing by such Fund will generally be secured by capital commitments made by the limited partners to such Fund and/or by such Fund's assets, and documentation relating to such borrowing may provide that during the continuance of a default under such borrowing, the interests of the investors may be subordinated to such Fund-level borrowing. Moreover, tax-exempt investors should note that the use of borrowings by such Fund may cause the realization of "unrelated business taxable income."

#### *Providers of Operations Support Services*

The Adviser and/or PE Fund portfolio companies will from time to time retain other companies and individuals ("Operations Support Advisers"), which may be employees and former employees of the Adviser, affiliates of the Adviser, employees of such affiliates, portfolio companies of other Funds, third party consultants (including specialized consultants, advisers, industry specialists, external executives, industry advisory roundtable members, and similar professionals), "operating partners", "operating executives" or "senior advisers".

The Operations Support Advisers are engaged to provide operational support, due diligence, research, specialized operations and consulting services and similar or related services to the Funds

or to, or in connection with, one or more portfolio companies or prospective portfolio companies in relation to the identification, acquisition, holding, improvement and disposition of such portfolio companies and from time to time also provide “front office” functions with respect to a Fund, such as sourcing or other investment-related functions (such services collectively, “Operations Support Services”). These services may be high level insight, or extensive day-to-day roles, and typically include support to PE Fund portfolio companies regarding, among other things, the company’s management (including serving in management positions or participating in determining corporate strategy), the company’s supply chain and procurement practices, revenue and margin management (including determining sales/marketing strategy and retail strategy), data intelligence, finance (including generating metrics and reporting and business restructuring), human capital management (including recruiting personnel and determining executive/incentive compensation), information technology, corporate communications, customer service, sustainability (including, strategy, policy and reporting development), real estate matters, intellectual property matters and similar operational matters. The nature of the relationship with each such Operations Support Adviser and the time devotion requirements of each such Operations Support Adviser may vary significantly. Certain Operations Support Advisers may be subject to contractual obligations to exclusively provide certain services to the PE Fund portfolio companies. These arrangements may be memorialized in a formal written agreement or may be informal and are negotiated individually, depending upon the anticipated Operations Support Services to be provided. Operations Support Advisers often are offered the ability (or may have a preferred right) to co-invest alongside Funds or to invest in a portfolio company invested in by the PE Funds, including in investments in which such Operations Support Adviser is involved or participates in the management thereof. While Operations Support Advisers are sometimes referred to as “operating partners”, “operating executives” or “senior advisers,” they are not partners or employees of the Adviser or any of its affiliates, but rather consultants engaged by or on behalf of PE Fund portfolio companies. In circumstances in which Operations Support Advisers are not subject to contractual obligations to exclusively provide certain services to the portfolio companies, such individuals are sometimes engaged or retained by other companies (including other alternative investment firms) which may currently, or in the future, directly compete with the Funds and/or portfolio companies. Such outside activities may result in conflicts of interest with respect to such individuals. Please see the discussion above under the sub-heading “*Resolution of Conflicts*” for a description of the means by which the Adviser and its related persons seek to alleviate conflicts of interest among the Funds, portfolio companies or other persons.

Pursuant to the Governing Documents of the applicable PE Fund, fees, compensation, expenses and any attributable overhead associated with Operations Support Services (“Operations Support Expenses”) have been, and will in the future, generally be paid and/or reimbursed by portfolio companies. Operations Support Expenses (including Operations Support Expenses incurred in connection with an Operations Support Adviser that is an affiliate or employee of the Adviser or its affiliates) are determined at the discretion of the Adviser taking into account the particular Operations Support Services, may include reimbursement of an allocable portion of an affiliated Operations Support Adviser’s compensation (including, without limitation, salary, bonus, payroll taxes and benefits) and overhead (including, without limitation, rent, property taxes and utilities allocable to the workspaces), an annual fee or retainer, a discretionary bonus, a success fee (in the form of cash or equity) based on pre-determined targets or milestones, profits or equity interest in the Funds and/or portfolio companies or other incentive-based compensation to the Operations

Support Adviser, and may otherwise be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the Operations Support Adviser, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such companies. The determination of whether a service is an Operations Support Service will be made by the Adviser in its good faith discretion and will be based in part on whether third parties often provide such services to companies. Operations Support Expenses have been, and may in the future also be, incurred in respect of portfolio companies prior to the closing of the investment. To the extent services are provided for the benefit of a Fund, without reference to a particular portfolio company, Operations Support Expenses incurred in connection with such services may in certain instances be borne by the Fund and, indirectly, the investors in such Fund. In the event one or more Operations Support Advisers (directly or indirectly) is providing services with respect to a Fund or a PE Fund portfolio company and one or more other Funds or PE Fund portfolio companies, subject to the Governing Documents of the applicable Funds, such Operations Support Expenses generally will be allocated among the Fund or the PE Fund portfolio company and the relevant other Funds or PE Fund portfolio companies as determined by the Adviser, consistent with the Governing Documents of the applicable Funds and as described above (see “*Allocation of Expenses*”). To the extent any such Operations Support Expenses are payable to any affiliated Operations Support Adviser by a PE Fund portfolio company, such Operations Support Expenses will be retained by such Operations Support Adviser and generally will not reduce the Advisory Fee or any other fees otherwise payable to the Adviser or its affiliates and will not benefit the Fund or its investors even if the Operations Support Expenses paid by a Fund or a portfolio company have the effect of reducing any retainers or minimum amounts otherwise payable by the Adviser; provided, however, that with respect to contracts entered into by the Adviser and/or Opportunity Fund portfolio companies on or after January 1, 2016, consistent with the applicable terms of the Opportunity Fund Governing Documents, cash payments made by or on behalf of such PE Fund portfolio companies to Operations Support Advisers for work performed on behalf of such PE Fund portfolio companies are generally subject to the offset arrangements described above. The Adviser’s good faith determination as to whether a service is an Operations Support Service, the categorization of any fees and expenses (e.g., as Operations Support Expenses) and the allocation of such fees and expenses shall be binding on each applicable PE Fund and its investors. Over time, certain existing and former employees of the Adviser (including senior personnel) may transition to an Operations Support Adviser role, which may shift the burden of compensation with respect to such persons from the Adviser to the applicable PE Fund portfolio companies. Likewise, as noted above, an individual that was previously engaged as an Operations Support Adviser may subsequently commence employment with the Adviser and continue to have rights to equity (or equity-like) grants, issuances or allocations made during the term of his or her service as an Operations Support Adviser, in which case such PE Fund portfolio companies would continue to bear a portion of the burden of compensation with respect to such person even after such person has commenced employment with the Adviser.

In addition, the Adviser frequently arranges for the engagement of Nob Hill Law Group, P.C. to provide legal services to or on behalf of portfolio companies of the PE Funds, and may in the future also arrange for services to be provided to the Adviser, the Funds and/or their respective affiliates. The President of Nob Hill Law Group, P.C. serves as General Counsel and Executive Vice President of Finance of the Adviser and certain other Adviser Personnel also from time to time

serve as employees or independent contractors of Nob Hill Law Group, P.C. Due to the relationship between the Adviser and Nob Hill Law Group, P.C., the Adviser may have an incentive to recommend the services of Nob Hill Law Group, P.C. to the Funds and their portfolio companies, even though the services recommended may not necessarily be the lowest cost or most effective available to the Funds or the portfolio companies. In addition, the fees earned by Nob Hill Law Group, P.C. for services provided to the Funds and the portfolio companies are not shared with the Funds or their investors, except to extent they result in the reduction or offset of Advisory Fees pursuant to the Governing Documents of such Funds (in which case, such fees and expenses are treated in the same manner as other applicable Corporate Service Fees, as described above). The fees paid by the Funds and the portfolio companies generally will be determined based on prevailing market rates for comparable services.

#### *Diverse Membership*

The investors in the Funds include U.S. taxable and tax-exempt entities, and institutions from jurisdictions outside of the United States. Such investors often have conflicting investment, tax and other interests with respect to their investments in a Fund. The conflicting interests among the investors generally relate to or arise from, among other things, the nature of investments made by a Fund, the structuring of the acquisition of investments and the timing of the disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by the Adviser or its affiliates, including with respect to the nature or structuring of investments, that may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. A Fund may structure an investment in a portfolio company with respect to certain investors through the use of a blocker entity or another structure in seeking to accommodate the tax objectives of such investors and the Adviser has broad discretion in structuring transactions. The use of such different structures may result in a Fund's investors receiving different proceeds in a transaction. In selecting and structuring investments appropriate for a Fund, the Adviser and its affiliates will consider the investment and tax objectives of the applicable Fund, not the investment, tax or other objectives of any investor individually.

#### *Business with Portfolio Companies and Investors*

Given the collaborative nature of the Adviser's business and the portfolio companies in which the PE Funds (which, for purposes of this section, includes Portfolio Company Advisers and their clients) have invested, there are often situations where the Adviser is in the position of recommending the services of a portfolio company to other portfolio companies of the PE Funds, which may involve fees, commissions, servicing payments and/or discounts to the Adviser, an affiliate, or a portfolio company. The Adviser will generally have a conflict of interest in making such recommendations in that the Adviser has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for the PE Funds while the products or services recommended may not necessarily be the best available to the portfolio companies held by the PE Funds. The benefits received by a portfolio company providing a service may be greater than those received by the PE Fund(s) and its portfolio companies receiving the service.

The Adviser generally has an incentive to recommend the products or services of certain investors or prospective investors in the Funds, certain Third Parties, or their related businesses to the Funds

or their portfolio companies for use or purchase, even though the products or services recommended may not necessarily be the best available to the Funds or the portfolio companies.

Certain portfolio companies controlled by a PE Fund are expected, from time to time, to provide services to certain Fund investors or prospective investors or the Adviser or its affiliates. The Adviser has an incentive to cause the portfolio company to favor those investors, prospective investors, the Adviser or its affiliates relative to other portfolio company clients or customers in terms of pricing or otherwise, which could adversely affect the portfolio company's profitability to the PE Fund. Additionally, the portfolio company could recommend to its clients or customers that they invest in a Fund.

The Adviser and/or its affiliates expect to engage in business opportunities arising from a Fund's investment in a portfolio company (for example, without limitation, entering into a joint venture with a portfolio company or making a proprietary investment in a portfolio company). This creates a conflict of interest, as such interests are a benefit arising from the Fund's investment and may vary from the applicable Fund's interest (e.g., whether to make a follow-on investment and, if so, how much should be allocated to the Fund).

In certain instances, a PE Fund's portfolio company competes with, is a customer of, or is a service provider to, another PE Fund's portfolio company. In providing advice to a portfolio company's business, the Adviser may consider the interests of one portfolio company or Fund and is not obligated to, and need not, take into consideration the interests of other relevant portfolio companies or Funds. As a result, a conflict of interest may arise in these instances because advice and recommendations provided by the Adviser to a portfolio company may have adverse consequences to a separate portfolio company owned by another PE Fund. For instance, a portfolio company may seek to expand its market share at the expense of another portfolio company or withdraw business from another portfolio company in favor of another company by offering the same product or service at a lower price, increasing its own prices, purchasing assets from, or selling assets to, another portfolio company, commencing litigation against another portfolio company, or preventing one portfolio company from commencing litigation against another portfolio company.

Certain of a PE Fund's portfolio companies are expected, from time to time, to be counterparties or participants in agreements, transactions or other arrangements with portfolio companies of other PE Funds managed by the Adviser or the Adviser's affiliates that, although the Adviser determines to be consistent with the requirements of such PE Funds' Governing Documents, may not have otherwise been entered into but for the affiliation with the Adviser, and which may provide economic or other benefits to affiliates of the Adviser that are not subject to the Advisory Fee offset provisions described herein. For example, the Adviser has in the past and may in the future cause portfolio companies to enter into agreements regarding group procurement (which may depend on the volume of services purchased under these agreements and which may be pooled across multiple portfolio companies and discounted due to scale), benefits management, data management and/or mining, technology development, purchase or title and/or other insurance policy (which may be pooled across multiple portfolio companies and discounted to scale) and other similar operational initiatives that may result in fees, better pricing, rebates, servicing payments, commissions or similar payments and/or discounts being paid to the Adviser, its affiliates or a portfolio company, including related to a portion of the savings achieved by the

portfolio company. In addition, certain portfolio companies may provide investment advisory services to other portfolio companies or their subsidiaries. While the Adviser may have a conflict of interest because its economic benefit may incentivize the Adviser to maintain such arrangements (and any discounted amounts will not be subject to Advisory Fee offsets or otherwise shared with the relevant Funds), the Adviser believes that such agreements generally benefit the portfolio companies due to increased access to quality products and services at beneficial pricing and the Adviser's benefits from such arrangements are generally reduced because the Adviser only benefits at the same rate as the portfolio companies. However, it should not be assumed that a company related to, or otherwise affiliated with the Adviser, will only take actions that are beneficial to, or not opposed to, the interests of a Fund and PE Fund portfolio companies.

Certain PE Fund portfolio companies (or a business unit thereof) are also presently a party to, have previously entered into and may in the future enter into, expense sharing agreements with certain other PE Fund portfolio companies (or a business unit thereof), including, for the avoidance of doubt, portfolio companies owned or controlled by different PE Funds. Such expense sharing agreements generally provide for, among other things, a portion of the salaries of certain employees and a portion of other overhead, rent and certain administrative expenses of one portfolio company (or a business unit thereof) to be borne by another portfolio company (or a business unit thereof) to the extent such other portfolio company (or a business unit thereof) utilizes the employees, office space and/or other resources of another portfolio company (or a business unit thereof). The allocation of such expenses is provided for in the applicable expense sharing agreement, and it is generally expected that the portfolio company utilizing such employees, office space and/or other resources shall bear its pro rata portion of the expenses associated therewith (generally based on a reasonable assessment by the Adviser or its affiliates in their sole discretion from time to time). Nonetheless, a conflict of interest may arise in these instances in the event the Adviser, the PE Funds or other investors have differing economic interests in each such portfolio company such that expenses could potentially be allocated to one portfolio company in which the Adviser or its affiliates, the PE Funds or other investors have a lesser interest (such that they indirectly bear less of such expenses) for the benefit of another portfolio company in which the Adviser or its affiliates, the PE Funds or other investors have a greater interest. There can be no assurance that such allocation would not have been different in the event the Adviser, the PE Funds or other investors did not have differing economic interests in such portfolio companies.

The Adviser and its affiliates have in the past hired and expect, from time to time, to hire part-time or full-time employees (including interns) who are relatives of, or are otherwise associated with an investor, portfolio company or servicer provider. Although the Adviser uses reasonable care to mitigate any potential conflicts of interest with respect to each particular situation, there is no guarantee the Adviser can control all such conflicts of interest and there may be a continuing appearance of a conflict of interest.

Certain members of a Fund's advisory committee are, or in the future may be, officers or directors of, or otherwise affiliated with, investors in another Fund. The Adviser or General Partners of certain Funds (which, for purposes of this paragraph, includes Portfolio Company Advisers and their clients) are permitted to from time to time utilize the services of limited partners of or investors in the Funds and their affiliates as they deem appropriate.

### *Service Providers*

Services required by a Fund (including some services historically provided by the Adviser or its affiliates to the Funds) may, for certain reasons including efficiency and economic considerations, be outsourced in whole or in part to third parties or licensed software, in each case in the discretion of the Adviser or its affiliates. The Adviser and its affiliates have an incentive to outsource such services at the expense of the Funds to, among other things, leverage the use of Adviser personnel. Such services may include, without limitation, deal sourcing, asset management, information technology, licensed software, depositary, data processing, client relations, administration, custodial, marketing and marketing-reviews, accounting, valuation, trading, legal, human resources, client services, compliance, corporate secretarial and tax support, director services and other similar services. Outsourcing may not occur universally for all Funds and, accordingly, certain costs may be incurred by a Fund for a third-party service provider or for licensed software that is not incurred for comparable services by other Funds. The decision by the Adviser to initially perform a service for a Fund in-house does not preclude a later decision to outsource such services (or any additional services) in whole or in part to a third-party service provider or licensed software in the future and the Adviser has no obligation to inform such Funds or investors of such a change. In addition, certain internal service providers (such as internal accountants) may “shadow” or otherwise review the reports of other services provided by such third parties. The costs and expenses of any such third-party service providers will be borne by the relevant Funds.

If a service provider provides services to a Fund on the property of the Adviser, such Fund may also be responsible for any overhead, rent or other fees, costs and expenses charged by the Adviser in connection with an on-site arrangement.

The Adviser and/or its affiliates will engage certain service providers to provide services to the Adviser, the Funds and/or PE Fund portfolio companies, the Portfolio Company Advisers and/or their clients and portfolio companies thereof, including services during the due diligence and acquisition process. Such service providers are, in certain circumstances, investors in a Fund or affiliates of such investors and may include investment or commercial bankers, outside legal counsel, common legal counsel, pension consultants, and/or other investors who provide services (including mezzanine and/or lending arrangements). For example, certain key service providers, including a law firm and a consulting firm, participate in Co-Investment Funds that generally make investments side-by-side with one or more Funds. The engagement of any such service provider may be concurrent with an investor’s admission to a Fund or during the term of such investor’s investment in the Fund. This creates a conflict of interest as such engagement could be motivated by a belief that the service provider will continue to invest in Funds, or the Adviser may give such investor preferred economics or other terms with respect to its investment in a Fund, or may have an incentive to offer such investor co-investment opportunities that it would not otherwise offer to such investor.

Additionally, employees of the Adviser or its affiliates and/or their family members or relatives will have ownership, employment, or other interests in such service providers. These relationships that the Adviser may have with a service provider can influence the Adviser in determining whether to select or recommend such service provider to perform services for a Fund or a portfolio company. The Adviser will have a conflict of interest with the Funds in recommending the retention or continuation of any such service provider to the Funds or a portfolio company,



especially if such employee(s) of the Adviser or its affiliates are involved in the decision to retain such service provider.

Certain other service providers to the Adviser, the Funds and/or the portfolio companies, or affiliates of such service providers, also provide goods or services to or have business, personal, financial or other relationships with the Adviser, its affiliates, or their respective portfolio companies. Such service providers (or their employees) may also source of investment opportunities, be co-investors or commercial counterparties or entities in which the Adviser and/or the Funds have an investment, and payments by a Fund and/or such portfolio companies may indirectly benefit the Adviser and/or such Fund.

Additionally, the Adviser, the Funds, and the portfolio companies of the Funds may engage common service providers. In such circumstances, there may be a conflict of interest between the Adviser, on the one hand, and the Funds and/or portfolio companies, on the other hand, in determining whether to engage such service providers, including the possibility that the Adviser will favor the engagement or continued engagement of such persons if it receives a benefit from such service providers, such as lower fees and/or information about markets and industries in which the Adviser operates or is interested and/or such service provider will provide other services that are beneficial to the Adviser, that it would not receive absent the engagement of such service provider by the Funds and/or the portfolio companies. There may be situations in which the Adviser receives more favorable service rates or arrangements than the Funds or PE Fund portfolio companies. Neither the Funds nor investors in the Funds will receive the benefit of any such favorable rate or arrangements provided to the Adviser, its personnel or its affiliates, and the Advisory Fee paid by any Fund will not be reduced in connection with such favorable rate or discount.

Although the Adviser selects service providers that it believes will enhance portfolio company performance (and, in turn, the performance of the relevant PE Fund(s)), there is a possibility that the Adviser, because of financial or business interests or for other reasons, may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. In these instances the Adviser uses reasonable efforts to mitigate such conflicts and uses good faith efforts to negotiate market terms for such service providers' services. To monitor any conflicts with its key service providers, the Adviser will perform periodic evaluations of its key service providers.

The Adviser or its affiliates and service providers often charge varying amounts or have different fee arrangements for different types of services provided. For instance, fees for various types of work often depend on the complexity of the matter, the expertise required and the time demands of the service provider. As a result, to the extent the services required by the Adviser or its affiliates differ from those required by the Funds and/or PE Fund portfolio companies, the Adviser and its affiliates will pay different rates and fees than those paid by the Funds and/or PE Fund portfolio companies.

The Adviser or its affiliates engage certain service providers (including law firms) on behalf of the Funds and personnel of such service provider may in the future be seconded to the Adviser or its affiliates on a temporary basis, pursuant to various arrangements including at cost or at no cost. The Adviser is, from time to time, a beneficiary of these arrangements as well. Such personnel

may provide services in respect of multiple matters, including in respect of matters related to the Adviser, its affiliates and/or portfolio companies and in any such circumstance the benefits or costs of any such personnel will be allocated in the Adviser's discretion taking into consideration the usage of such personnel. In such circumstances, a conflict of interest exists because the Adviser or its affiliates have an incentive to select one service provider over another on the basis that the Adviser or its affiliates may receive the benefit of seconded employees from such service provider, particularly where the compensation and expenses for such personnel during the secondment is borne by the service provider and not the Adviser or its affiliates.

### *Positions with Portfolio Companies*

Employees of the Adviser are expected, from time to time, to serve as directors and/or officers of, or observers on boards with respect to, certain portfolio companies. While potential conflicts of interest will arise in the event that such employee's fiduciary duties as a director and/or officer conflicts with those of the Fund, it is generally expected that the interests will be aligned. In addition, to the extent an employee serves as a director on the board of more than one portfolio company, such employees' fiduciaries duties between or among such portfolio companies creates a potential conflict of interest. Such employees are generally required to remit a portion of any remuneration they may receive as directors and/or officers to the applicable Funds, consistent with the terms of the Governing Documents of such Funds. In addition, employees of the Adviser may leave the employment of the Adviser or its affiliates and become an officer or employee of a portfolio company. Except in the case of Nob Hill Law Group, P.C. and, for the avoidance of doubt, except in the case of payments in respect of equity (or equity-like) grants, issuances or allocations to employees who were previously engaged as Operations Support Advisers, employees are prohibited from receiving consulting, management or other fees personally from portfolio companies.

From time to time employees of the Adviser may also be asked to serve as directors of, or observers with respect to, certain entities in which a Fund has fully exited its ownership interest and/or following the termination of such employee's employment with the Adviser. In such circumstances, any compensation received by such Adviser employee is not subject to the Advisory Fee offset described above, or otherwise shared with the Funds and/or investors.

As noted above, certain personnel of the Adviser and/or its affiliates may also be seconded or permanently transferred to one or more portfolio companies and provide finance, tax, operations, compliance, legal, or investment-advisory related and other services to or on behalf of such portfolio companies. In such instances, the portfolio companies will pay such person's directors' fees, salaries, consultant fees, other cash compensation, stock options, other equity grants or other compensation and incentives and may reimburse the Adviser or such persons for any travel costs or other out-of-pocket expenses incurred in connection with the provision of their services. Any such secondment would necessarily present a conflict of interest insofar as salaries, benefits, overhead and other similar expenses for such personnel during the secondment or after their transfer will be borne (in whole or in part) by such portfolio companies instead of the Adviser and/or its affiliates. The Adviser may also advance compensation to seconded employees and be subsequently reimbursed by the applicable portfolio companies. Any compensation customarily paid directly by the Adviser or its affiliates to such persons would typically be reduced to reflect amounts paid directly or indirectly by the portfolio company even though the Advisory Fee paid

or Incentive Allocation distributed by the Fund to the Adviser will not be reduced. Any amounts paid to such persons by a portfolio company (or paid by the Adviser and reimbursed by a portfolio company) would not reduce the Advisory Fee otherwise payable to the Adviser or any Incentive Allocation otherwise payable to the Adviser or its affiliates. All or a portion of any such compensation and incentives will be borne by the Fund, directly or indirectly, via its ownership interest in such portfolio company.

#### *Side Letter Agreements; Advisory Committee Rights*

The Adviser will, from time to time, enter into certain side letter arrangements with certain investors in a Fund providing such investors with different or preferential rights or terms, including but not limited to different fee structures and other preferential economic rights, information and reporting rights, excuse or exclusion rights, waiver of certain confidentiality obligations, priority co-investment rights, targeted co-investment amounts, certain rights or terms necessary in light of particular legal, regulatory or policy requirements of a particular investor, additional obligations and restrictions with respect to structuring particular investments in light of the legal and regulatory considerations applicable to a particular investor, veto rights and liquidity or transfer rights. Except as otherwise agreed with an investor, the Adviser (or applicable General Partner) is not required to disclose the terms of side letter arrangements with other investors in the same Fund. Side letters may also relate to strategic relationships under which an investor agrees to make capital commitments to multiple Funds. 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 Fund, its 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.

Many of the Funds have established an advisory committee, consisting of representatives of investors. A conflict of interest may exist when some, but not all, limited partners are permitted to designate a member to the advisory committee. The advisory committee will typically also have the ability to approve conflicts of interests with respect to the Adviser and the applicable Fund, which could be disadvantageous to the investors, including those investors who do not designate a member to the advisory committee. Representatives of the advisory committee may have various business and other relationships with the Adviser and its partners, employees and affiliates. These relationships may influence the decisions made by such members of the advisory committee.

In certain circumstances, members of one Fund's advisory committee will also be a member of another Fund's advisory committee. In such instances, a conflict of interest could arise where such Funds have differing investment amounts or other conflicting interests and such advisory committee members may be requested to provide their consent with respect to such conflicts of interest and generally have not recused themselves from any such vote.

### *Conflicts Relating to the Treasury Products*

Each of the Adviser, the General Partners and the Funds and their respective portfolio companies and affiliates may in certain instances make investments in the Treasury Products. Each of the foregoing may have a different interest with respect to such investments and there may be decisions made that favor one interest over another.

Conflicts of interest may arise due to the ability of the Treasury Products to make short-term advances to its participants. The Treasury Products may make such short-term advances to a Fund in order to, among other things, cover capital requirements with respect to distributions or to a portfolio company to, among other things, cover add-on investments pending capital calls by a Fund. Such an advance to a Fund or portfolio company would put the capital of another Fund at risk if the borrowing Fund or portfolio company is unable to repay the advanced amount due to, among other things, liquidity constraints, failed investments, the failure of a Fund's limited partners to timely contribute capital, or other unforeseen events.

In addition, a Treasury Product may make, with the consent of the advisory committee of the Fund investing in the Treasury Product, short-term advances to the Adviser, which may create a conflict of interest, as the Adviser would have the role of determining the terms of such advances and the circumstances and conditions under which each is made.

Conflicts of interest may also arise as a result of the Adviser paying a fee to AICM in connection with certain sub-advisory services provided by AICM with respect to the Treasury Products.

### *Other Potential Conflicts*

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

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

The Adviser and its affiliates, including its employees, will, from time to time, receive discounts on services and/or products from portfolio companies. Such discounts are generally equal to, or less than, the discounts provided by the portfolio company to its own employees.

The Adviser and its personnel have in the past and will, from time to time in the future, receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of a Fund, including benefits and other discounts provided from service providers. For example, airline travel or hotel stays incurred as Fund expenses may result in “miles” or “points” or credit in loyalty/status programs to the Adviser and/or its personnel, and such benefits, rewards and/or amounts (whether or not *de minimis* or difficult to value), will exclusively benefit the Adviser and/or such personnel even though the cost of the underlying service is being borne by the Funds, its investors and/or the portfolio companies. Any such benefits, rewards and/or amounts will not be subject to the offset arrangements described above or otherwise shared with such Fund, its investors and/or the portfolio companies. In addition, airline travel incurred as a Fund expense for an Adviser personnel travelling for appropriate Fund-related purposes (including, without limitation, travel related to a portfolio company, a prospective portfolio company or other Fund-related matter) may benefit such Adviser personnel to the extent the trip also serves a personal purpose.

The Adviser may in its discretion have (and may in its discretion cause the Funds and/or their portfolio companies to have) ongoing business dealings, arrangements or agreements with persons who are former employees or executives of the Adviser. Funds and/or their portfolio companies may bear, directly or indirectly, the costs of such dealings, arrangements or agreements. In such circumstances, there may be a conflict of interest between the Adviser and Funds (or their portfolio companies) in determining whether to engage in or to continue such dealings, arrangements or agreements, including the possibility that the Adviser may favor the engagement or continued engagement of such persons even if a better price and/or quality of service could be obtained from another person.

Investors may be introduced to the Adviser, or may be brought into a Fund, by a third-party consultant from which the Adviser or a related person purchase products and to which the Adviser or a related person may make payments, including in connection with conferences sponsored or hosted by the third-party consultant.

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

The Funds may create a platform for acquiring, creating and/or operating companies in a particular industry for the purpose of creating synergies across, and adding value to, such companies (e.g., merging companies together to create economies of scale, running certain companies in a coordinated manner, or providing a shared services platform for such companies (including, but not limited to, compliance, legal, and operational support)). A holding company (“Holding Company”) would be created that would acquire and manage the companies in the platform. The Holding Company would be staffed with personnel responsible for sourcing, acquiring and managing companies for the Holding Company. In certain circumstances, such Holding Company employees may include former employees of the Adviser, or current or former senior advisors or consultants to the Adviser and its affiliates. The Holding Company’s costs and expenses (including compensation for its personnel, which compensation may include, among other things, the granting of profit participation in certain investments of the Holding Company and/or a capital

interest in such investments or the underlying assets) would be borne by the Holding Company (and, therefore, indirectly borne by the Fund). In certain cases, the Adviser may bear such expenses directly and subsequently be reimbursed by the applicable Holding Company. Such costs and expenses will not offset the Advisory Fee and are in addition to Advisory Fees and other compensation (e.g., Incentive Allocation) received by the Adviser. In addition, as the Adviser earns Advisory Fees and Incentive Allocation from the Fund, the Adviser will benefit from the assets, income and gains of the Holding Company.

In addition, from time to time, the Adviser recruits a management team to pursue a new “platform” opportunity expected to lead to the formation of a future portfolio company. In such a case, the Fund will bear the expenses of the management team or portfolio company, as the case may be, including any overhead expenses, employee compensation, diligence expenses or other related expenses in connection with backing the management team or the build out of the platform company. Such expenses may be borne directly by the applicable Fund as partnership expenses or indirectly as the Fund bears the start-up and ongoing expenses of the newly-formed platform portfolio company. Such costs and expenses will not offset the Advisory Fee and are in addition to Advisory Fees and other compensation (e.g., Incentive Allocation) received by the Adviser.

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

In addition, with respect to the PE Funds, the Adviser will, on occasion, seek to find, recruit and partner with management leaders to identify, acquire and build portfolio companies (including, without limitation, portfolio companies operating in the broad financial services and asset management sector) through acquisitions and organic growth. After recruiting and partnering with a management team to lead a new portfolio company, the Adviser and/or the PE Funds may commit start-up capital to fund the management team’s overhead expenses for a period of time (“Start-Up Capital”), typically until the portfolio company completes its first acquisition. Start-Up Capital generally is used to fund the portfolio company’s operations, including the management team’s compensation, as well as traditional due diligence expenses incurred pursuing acquisition opportunities. If the Adviser funds Start-Up Capital, it generally will seek reimbursement from the applicable PE Funds, typically at or around the time the portfolio company completes its first acquisition.

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

The Governing Documents of certain Funds permit the Adviser, each such Fund's General Partner or certain of their affiliates to make certain interim contributions to the applicable Fund in anticipation of an upcoming investment or payment by such Fund, pending receipt of capital contributions in an equal amount from such Fund's limited partners, the proceeds of which would be distributed such General Partner as a return of such interim contribution, with an interest charge. Such arrangements create potential conflicts of interest between the Adviser, the applicable General Partner or affiliate and the Fund acting as borrower.

The Governing Documents of certain Funds permit the Adviser to withhold information from certain limited partners or investors in such Fund in certain circumstances. For instance, information may be withheld from limited partners that are subject to Freedom of Information Act or similar requirements. The Adviser may elect to withhold certain information to such limited partners for reasons relating to the Adviser's public reputation or overall business strategy, despite the potential benefits to such limited partners of receiving such information.

Different conflicts may exist with respect to investments in different Funds. The Adviser and/or General Partner are granted broad discretion under the Funds' Governing Documents, including on matters such as expense or fee/offset allocation, transaction structuring and other matters, and such discretion could create a conflict between the Adviser and/or General Partner and a Fund.

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

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

The Adviser has adopted written policies to address issues that might arise with respect to purchasing, holding, and selling publicly traded securities.

### **Selection of Brokers and Dealers**

Except in the case of the Treasury Products where the Adviser has granted AICM investment discretion over the Treasury Portfolio, the Adviser has sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker or dealer, if any, to be used to effect transactions for each of the Funds. In placing each transaction for a Fund involving a broker-dealer, the Adviser will seek "best execution" of the transaction. "Best execution" means obtaining for a Fund account the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances of the transaction and the reputability and reliability of the executing broker or dealer.

In determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, the Adviser takes into account all factors that it deems relevant to the broker's or dealer's execution capability, including, by way of illustration:

- A broker's execution capabilities with respect to the relevant type of order;
- The commissions charged by a broker, which may be based on the size of the order, the price of the security, and whether the receipt of products or services is involved;
- The broker's reputation and responsiveness to requests for trade data and other financial information; and
- Other factors suggested by the Securities and Exchange Commission for determining best execution, which include:
  - The amount of business with each broker-dealer and the justification for directing trades to those broker-dealers, such as the quality of research provided by the broker-dealer;
  - The gross compensation paid to each broker-dealer;
  - The competitiveness of commission rates and spreads, including the documentation to support such competitiveness, i.e., comparison of "standard" commission rates or "minimum" transaction costs between broker-dealers offering comparable products and services;
  - Statistics or other information by independent consultants on the relative quality of executions/financial services by each broker-dealer;
  - The financial strength (net capital) of each broker-dealer, if relevant;
  - The broker-dealer's ability to respond promptly to inquiries during volatile markets;
  - The value of privacy considerations, liquidity, price improvement and lower commission rates on electronic communications;
  - The broker-dealer's general reputation and ability to execute an order in an appropriate time frame (i.e., the overall responsiveness of the broker-dealer, as expressed in how well the broker-dealer serves the Adviser and its clients);
  - To the extent consistent with achieving best execution, the Adviser may consider other business a particular broker or dealer may have done with the Adviser, such as identifying investment opportunities, performing investment banking services and providing services to the Adviser's principals;
  - The ability and willingness of the broker-dealer to commit capital or financing and provide prompt and accurate execution and settlement;



- Whether the broker-dealer makes a market in a security and/or finds sources of liquidity;
- The ability of the broker-dealer to maintain Golden Gate's anonymity;
- The broker-dealer's trading expertise, including its ability to minimize total trading costs and to trade without unduly impacting the market;
- The belief that the broker-dealer charges a fair and reasonable fee for each trade and that the Clients have been treated fairly and honestly in prior trades; and
- The quality of execution, quality of broker-dealer relationship, quality of service rendered by the broker-dealer in other transactions.

In general, for any Fund transactions involving publicly-traded securities, the Adviser allocates such transactions to brokers on the basis of best available execution and in consideration of such broker's provision of brokerage, research, and other services that the Adviser reasonably believes are of benefit to the Funds.

In order to monitor best execution, the Adviser will periodically review certain information relating to transactions executed through or otherwise involving broker-dealers or investment bankers to assess the quality of execution of brokerage transactions effected on behalf of the Adviser and each Fund.

The Adviser may "pay up" (e.g., pay a higher commission to execute a trade than the lowest available negotiated commission) using a portion of a broker-dealer's brokerage commission (i.e., soft dollars) for brokerage and research services in accordance with Section 28(e) of the Securities Exchange Act of 1934, as amended. A broker-dealer providing such brokerage and research services may receive a commission that is in excess of the amount of commission another broker-dealer would have received for effecting that transaction provided the Adviser determines in good faith that such commission was reasonable in relation to the value of the research and brokerage services provided by the broker-dealer. Any such research service may be broadly useful and of value to the Adviser in rendering investment advice to all or a significant portion of the Funds, or may be relevant and useful for the management of one or only a few Funds' accounts, regardless of whether such account or accounts paid commissions to the broker-dealer through which the research service was provided. The Adviser will only make securities transactions that it in good faith believes are in the best interest of the applicable Fund. A conflict of interest exists when a broker-dealer provides such research services, however, as the Adviser will have an incentive to favor such broker-dealer over others that charge lower commissions.

### **Aggregation of Trades**

As noted above, the Adviser and its affiliates may aggregate (or bunch) the orders of more than one Fund for the purchase or sale of the same publicly traded security. The Adviser often employs this practice because larger transactions may enable the Adviser to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. The Adviser and its affiliates may combine orders on behalf of Funds with orders for other Funds for which the Adviser or its affiliates have trading authority, or in which it or its affiliates have an economic interest. In such

cases, the Adviser and its affiliates generally intend to aggregate trade orders for publicly traded securities so that each participating Fund receives the average price for each execution of a transaction.

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

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

#### **Oversight and Monitoring**

The Funds primarily invest in securities that are private, illiquid and long-term in nature although certain Funds also invest in public securities and debt instruments. Accordingly, the review process for most Funds is not typically directed toward a short-term decision to dispose of securities. However, the Adviser closely monitors companies in which the Funds invest, and Golden Gate's General Counsel and Executive Vice President of Finance, either alone or working together with other Adviser Personnel, periodically checks to confirm that each Fund is maintained in accordance with its stated objectives. Such checks are performed more frequently with respect to Funds that are more heavily invested in public securities.

#### **Reporting**

Investors in the Funds typically receive, among other things, a copy of audited financial statements of the relevant Fund within 120 days after the fiscal year end of such Fund. In addition, investors in the PE Funds typically receive quarterly performance reports generally within 60 days after each fiscal quarter end. Investors in Emerald Gate generally receive semi-annual performance reports within 60 days after each fiscal quarter end. It is expected that investors in any Emerald Gate funds will receive quarterly performance reports within 60 days after each fiscal quarter end. As there are no third-party investors in the Treasury Products, no investor-level reports are expected. The Adviser may from time to time, in its sole discretion, provide additional information relating to such Fund to one or more investors in such Fund as they deem appropriate.

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

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

While not a client solicitation arrangement, the Adviser may from time to time engage one or more persons to act as a placement agent for a Fund in connection with the offer and sale of interests to certain potential investors (though no placement agents have historically been engaged in connection with Fund offerings). Such persons generally will receive a fee in an amount equal to a percentage of the capital commitments for interests made by such potential investors to such Fund that are subsequently accepted. Advisory Fees received by the Adviser are generally reduced by the amount of such fees.

### ***Item 15. Custody***

As the Adviser relies on the “audit exemption” under the Advisers Act custody rule (i.e., Rule 206(4)-2(b)(4)), investors in the Funds will not receive account statements from the Funds’ custodians.

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

Investment advice is provided directly to the Funds and not individually to the investors in the Funds. Services are provided to the Funds in accordance with each such Fund’s Governing Documents. Investment restrictions for the Funds, if any, are generally established in the Governing Documents of the applicable Fund.

The Adviser or applicable sub-adviser has the discretion to determine, without consent of the Funds or the investors in the Funds, the particular securities or instruments to be bought and sold in accordance with the terms and conditions of the applicable Governing Document of each Fund. The Adviser or applicable sub-adviser will provide investment advice to the Funds, possibly subject to certain limitations and restrictions on the Funds as to diversification and type of permitted investments.

Funds will typically make direct investments in companies, although the Adviser or applicable sub-adviser may in its discretion form an AIV with respect to particular investments. AIVs are generally established in order to invest alongside or in the place of one or more Fund in a particular investment opportunity or opportunities, and the Adviser or applicable sub-adviser typically has limited discretion to invest the assets of the alternative investment vehicles independent of these limitations as set forth in the Governing Documents of the applicable Fund.

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

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

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

Funds generally cannot direct the Adviser’s Vote.

All Voting decisions initially are referred to the appropriate investment professional(s) for a voting decision. In most cases, the investment professional(s) covering the particular investment will make the decision as to the appropriate vote for any particular Vote. In making such decision, he or she may rely on any of the information and/or research available to him or her as well as the standard Voting positions adopted by the Adviser pursuant to its Voting policies and procedures. If the investment professional is making the Voting decision, the investment professional will inform the Adviser's Chief Compliance Officer and/or General Counsel or their designee of any such Voting decision, and, barring any issues from his or her conflict of interest review, the Vote will be voted in such manner. If the investment professional and the Chief Compliance Officer and/or General Counsel or their designee are unable to arrive at an agreement as to how to vote, then the Adviser's Compliance Committee may be consulted as to the appropriate vote. The Compliance Committee will then review the issues and arrive at a decision based on the overriding principle of seeking the maximization of the economic value of the relevant Funds' holdings.

The Adviser has the responsibility to monitor Votes for any conflicts of interest, regardless of whether they are actual or perceived. All Voting decisions will require a mandatory conflicts of interest review in accordance with the Adviser's policies and procedures, which will include consideration of whether the Adviser or any investment professional or other person recommending how to vote has a material interest in how the Vote is voted that may present a conflict of interest. In addition, all Adviser investment professionals are expected to perform their tasks relating to the voting of Votes in accordance with the principles set forth above, according the first priority to the best interest of the relevant Funds.

Where deemed appropriate, unaffiliated third parties, including legal counsel and/or an advisory committee of Fund investors unaffiliated with the Adviser, may be used to help resolve conflicts. In this regard, the Adviser shall have the flexibility to retain independent fiduciaries, consultants, or professionals to assist with Voting decisions and/or to delegate Voting or consent powers to such fiduciaries, consultants or professionals.

Copies of relevant proxy logs identifying how proxies were voted in connection with a Fund and copies of proxy voting policies are available to any client or prospective client upon written request to:

Chief Compliance Officer  
Golden Gate Private Equity, Inc.  
One Embarcadero Center, 39th Floor  
San Francisco, CA 94111

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

The Adviser does not require prepayment of Advisory Fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.

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

Item 19 is not applicable to the Adviser.