

**Item 1. Cover Page**

**DW Management Services, L.L.C.**

1413 Center Drive, Suite 220  
Park City, Utah 84098

Telephone: 435-645-4050

[www.dwhp.com](http://www.dwhp.com)

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

**This brochure provides information about the qualifications and business practices of DW Management Services, L.L.C. (“DW Management”). If you have any questions about the contents of this brochure, please contact us at 435-645-4050. 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 DW Management 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**

DW Management filed its most recent Form ADV Part 2A on March 28, 2019. This annual amendment updates the description of the business practices of DW Management and its affiliates.

### **Item 3. Table of Contents**

Item 1. Cover Page.....	1
Item 2. Material Changes.....	2
Item 3. Table of Contents.....	3
Item 4. Advisory Business .....	4
Item 5. Fees and Compensation .....	6
Item 6. Performance-Based Fees and Side-By-Side Management .....	13
Item 7. Types of Clients.....	14
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss .....	14
Item 9. Disciplinary Information .....	29
Item 10. Other Financial Industry Activities and Affiliations .....	29
Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	29
Item 12. Brokerage Practices .....	47
Item 13. Review of Accounts.....	48
Item 14. Client Referrals and Other Compensation.....	48
Item 15. Custody .....	49
Item 16. Investment Discretion.....	49
Item 17. Voting Client Securities.....	49
Item 18. Financial Information .....	50
Item 19. Requirements for State-Registered Advisers.....	50

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

For purposes of this brochure, the “Adviser” means DW Management Services, L.L.C. (“DW Management”), a Delaware limited liability company, together (where the context permits) with its affiliates that provide advisory services to and/or receive advisory fees from the Funds (as defined below). Such affiliates may or may not be under common control with DW Management, but possess a substantial identity of personnel and/or equity owners with DW Management. These affiliates may be formed for tax, regulatory or other purposes in connection with the organization of the Funds (as defined below), or may serve as general partners of the Funds. Such affiliates operate as a single advisory business together with DW Management and are subject to the Investment Advisers Act of 1940, as amended (the “Advisers Act”) pursuant to DW Management’s registration in accordance with SEC guidance.

The following general partner entities and/or adviser entities are affiliated with DW Management:

- DW Healthcare Management, LLC
- DW Healthcare Management II, LLC
- DW Healthcare Management III, LLC
- DW Healthcare Management IV, LP
- DW Healthcare Management V, L.P.
- Med-Pharmex Investor GP, LLC
- DW Prime Investor GP, LLC
- DWHP Management Services (Canada) ULC

The Adviser provides investment supervisory services to investment vehicles that are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”) and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”). Such investment vehicles, including any future investment vehicles to which the Adviser provides investment advisory services, are referred to in this brochure as the “Funds.”

The Adviser’s current Funds include the following:

- DW Healthcare Partners, LP Liquidating Trust
- DW Healthcare Partners II, LP and its parallel investment vehicle (DW Healthcare Affiliates II, LP)

- DW Healthcare Partners III, LP and its parallel investment vehicles (DW Healthcare Affiliates III, LP; DW Healthcare Partners III (B), LP)
- DW Healthcare Partners IV, L.P. and its parallel investment vehicles (DW Healthcare Affiliates IV, LP; DW Healthcare Partners IV B, LP)
- DW Healthcare Partners V, LP and its parallel investment vehicle (DW Healthcare Affiliates V, L.P.)

In addition, the Adviser provides advisory services to two additional pooled investment Funds (Med-Pharmex Investor, LP and DW Prime Investor, LP) that are or were holding companies for majority-owned portfolio companies.

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 may serve as the investment adviser or general partner to the Funds in order to provide such services. The Adviser's investment strategy is to focus on investments primarily in the specialty medical device manufacturers, product manufacturers, distributors, and services businesses within the North American healthcare industry. The Funds typically take control or near-control investment positions in companies that require capital for consolidation, growth, or expansion. "Near-control" positions describe those investments in which a Fund may have less than a majority of the voting power, but has negative control rights, governance rights, and the ability to force a sale of the portfolio company at some point in the future. From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of the Adviser or its affiliates generally serve on such portfolio companies' respective boards of directors or otherwise act to influence or control management of portfolio companies in which the Funds have invested. Additional information on the Adviser's advisory services to the Funds are detailed in the relevant private placement memoranda or other offering documents (each, a "Memorandum")

The Adviser provides investment supervisory services to each Fund in accordance with the limited partnership agreement (or analogous organizational document) of such Fund or separate investment and advisory, investment management or portfolio management agreements (each, an "Advisory Agreement").

Investment advice is provided directly to the Funds, subject to the discretion and control of the applicable general partner, and not individually to the investors in the Funds. Services are provided to the Funds in accordance with the Advisory Agreements with the Funds and/or organizational documents of the applicable Fund (together with the applicable Advisory Agreements and Memorandum, the "Governing Documents") and side letter agreements with the investors of the applicable Fund. Investment restrictions for the Funds, if any, are generally established in the organizational or offering documents of the applicable Fund or pursuant to side letter agreements with investors in the applicable Fund. Investors in the Funds participate in the overall investment program for the applicable Fund, but in certain circumstances are excused from a particular investment due to legal, regulatory or other agreed-upon circumstances

pursuant to the Governing Documents; for the avoidance of doubt, such arrangements generally do not and will not create an adviser-client relationship between the Adviser and any investor. The Funds or their Adviser will from time to time enter into side letter agreements with certain investors that have the effect of establishing rights under, or altering or supplementing the terms (including economic or other terms) of, the relevant Governing Documents with respect to such investors.

Additionally, from time to time and as permitted by the relevant Governing Documents, the Adviser expects to provide (or agree to provide) co-investment opportunities (including the opportunity to participate in co-invest vehicles) to certain investors or other persons, including other sponsors, market participants, finders, consultants and other service providers, Adviser employees, business associates and other “friends and family” of the Adviser or its personnel and certain other persons associated with the Adviser (e.g., a vehicle formed by the Adviser’s principals to co-invest alongside a particular Fund’s transactions). Such co-investments typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle (including a co-investing Fund) purchases a portion of an investment from one or more 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 use of a Fund credit facility. Any such purchase from a Fund by a co-investor or co-invest vehicle generally occurs shortly after the Fund’s completion of the investment to avoid any changes in valuation of the investment. Where appropriate, and in the Adviser’s sole discretion, the Adviser reserves the right to charge interest on the purchase to the co-investor or co-invest vehicle (or otherwise equitably to adjust the purchase price under certain conditions), and to seek reimbursement to the relevant Fund for related costs. However, to the extent such amounts are not so charged or reimbursed, they generally will be borne by the relevant Fund.

The principal owners of DW Management Services, L.L.C. are John B. Benear and Andrew C. Carragher. The Adviser has been in business since 2003. As of January 1, 2020, the Adviser manages a total of \$1,356,666,383 of client assets, all of which is managed on a discretionary basis.

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

The Adviser receives an advisory fee (each, an “Advisory Fee”) as compensation for investment supervisory services rendered to each Fund. Investors in a Fund indirectly bear the Advisory Fees paid by that Fund. Investors participating in a Fund after the first closing for such Fund will bear their share of the applicable Advisory Fee as if they had been investors in such Fund as of such Fund’s first closing. Investors generally are not permitted to withdraw or redeem interests in the Funds.

The precise amount of, and the manner and calculation of, the Advisory Fees for each Fund are established by the Adviser, as modified by negotiations with investors in the applicable Fund, and are set forth in such Fund’s Governing Documents and/or other documentation received by each investor prior to investment in such Fund. The Advisory Fees and other fees and distributions described above are generally subject to waiver or reduction by the Adviser in its

sole discretion, both voluntarily and on a negotiated basis with selected investors. Fees will potentially differ from one Fund to another, as well as among investors in the same Fund.

Advisory Fees vary Fund by Fund and are billed to and received from the Fund quarterly in advance on the first day of each fiscal quarter.

Upon termination of an Advisory Agreement, Advisory Fees that have been prepaid are generally returned on a prorated basis.

Each Fund that is not a “qualified purchaser” for purposes of the Investment Company Act of 1940, as amended (a “Non-QP fund”) has a “investment period” generally ranging from five to six years, during which period the Advisory Fee paid by the Non-QP Fund is 2% per annum of the aggregate amount of subscribed capital of such Non-QP Fund. Following the termination of a Non-QP Fund’s investment period, the Advisory Fee paid by such Non-QP Fund for the balance of the term of the Non-QP Fund is generally the greater of (a) 2% per annum of the amount of capital that remains invested in such Non-QP Fund, as adjusted for reductions in the cost basis of any investment held by the Non-QP Fund as reflected in the books of the Non-QP Fund (including subsequent write-ups in the cost basis of such investments), and (b) a minimum annual dollar amount as negotiated with the investors in the Non-QP Fund. Advisory Fees for a specific Non-QP Fund may be higher or lower depending on various factors such as the size of the Non-QP Fund, the nature of the Non-QP Fund’s investment program and strategy, and as a result of negotiations with investors in such Non-QP Fund.

In addition, the Adviser and its affiliates typically perform management, advisory, transaction-related, financial advisory and other services (“Related Services”) for, and receive fees from, actual or prospective portfolio companies or other investment vehicles of the Funds, such as closing fees, investment banking fees, placement fees, commitment fees, breakup fees, litigation proceeds from transactions not consummated, monitoring fees, consulting fees, directors’ fees and other similar fees in respect of a Fund’s investment or prospective investment therein. These fees have the potential to be substantial. Although these fees are in addition to the Advisory Fees, the Adviser will in some circumstances offset/reduce the amount of Advisory Fees paid by the applicable Fund in connection with the receipt of the portion of such fees attributable to the Fund’s investment in such portfolio company. The amount and manner of such offset/reduction is net of unreimbursed costs and expenses incurred in generating such fees, and is set forth in the Governing Documents of the applicable Fund. Additionally, a portfolio company is expected, from time to time, to reimburse the Adviser for expenses (including without limitation travel expenses, which potentially shall include expenses for chartered or first class travel) incurred by the Adviser in connection with its performance of services for such portfolio company, and such reimbursements are not subject to the sharing arrangements described above. The Adviser generally has discretion over whether to charge fees for Related Services and, if so, the rate, timing, method and/or amount of such compensation, as well as to charge such amounts at varying levels in a portfolio company’s holding or operating structure. In most circumstances, such compensation is not reviewed or approved by an independent third party. For a discussion of material conflicts of interest created by the receipt of such fees and reimbursements, please see Item 11 below.

The Advisory Fees paid by a Fund will generally be reduced by the amount of fees and expenses paid by such Fund to persons acting as a placement agent in connection with the offer and sale of interests in such Fund to certain potential investors, as well as expenses and third party fees incurred by the Adviser in connection with the organization of such Fund that exceed a limit specified in such Fund's Governing Documents. As some Funds do not pay Advisory Fees, any such reduction will not benefit such Funds.

To the extent that an Advisory Fee is to be offset/reduced for the reasons mentioned above and such offset/reduction would reduce the Advisory Fee for a given three-month period below zero, an offset credit will be carried forward for future application against payable Advisory Fees and if a credit remains upon liquidation a payment will be made crediting limited partners unless a limited partner has elected to waive such amount (e.g., where an adverse tax consequence may result).

As further described below, it is the Adviser's practice to use or retain certain operating partners, executives or consultants to provide services to (or with respect to) certain portfolio companies in which one or more Funds invest. Such operating partners, executives and consultants generally receive compensation and other amounts described herein from the relevant portfolio companies or Funds to which they provide services, but no such amounts will result in additional offsets to the Advisory Fee.

In addition, certain Governing Documents permit the Adviser 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 and affiliates of the Adviser to invest in or alongside such Fund. Such waived portions of the Advisory Fee are treated by the Governing Documents as a deemed capital contribution by the Adviser or its employees or affiliates, as applicable, which is effectively invested in the relevant Fund on such person's behalf. The limited partners of a Fund would, in such circumstances, be required to make a pro rata contribution according to their respective commitments to fund any contribution that would otherwise be required of the Adviser or its employees or affiliates in connection with any such waiver or reduction as described above and, as a result, the exercise of such waiver may result in an acceleration (or delay) of investor capital contributions. The amount of such waived or reduced Advisory Fees has the potential to be significant. Due to waived or reduced Advisory Fees by the Adviser and/or timing of receipt of compensation leading to offsets (as described above), it is possible that Advisory Fee offsets will be delayed.

The terms of some Funds also permit the Adviser to elect to receive, in substitution for all or any portion of the Advisory Fee payable by a Fund, special allocations and distributions of annual net profits of the Fund.

Additionally, please see Item 6 below regarding "Carried Interest" that Funds may pay.

The Adviser is permitted to exempt certain investors in the Funds from payment of all or a portion of Advisory Fees and/or carried interest. To the extent permitted by the relevant Governing Documents, the Adviser reserves the right to make any such exemption from fees and/or carried interest by a direct exemption, a rebate by the Adviser, or through other Funds



which co-invest with a Fund. For example, in instances where an Adviser professional (or an affiliated entity thereof) invests in a Fund, such professional (or such affiliated entity) generally will be exempt from payment of the Advisory Fee and carried interest with respect to such Fund. Additionally, to the extent permitted by the relevant Governing Documents, the Adviser has the right to permit investors, affiliated with the Adviser or otherwise, to invest through the relevant general partner or other vehicles that do not bear Advisory Fees or carried interest. In general, the Advisory Fee offsets described above apply only with respect to the capital commitments of fee-paying investors.

To the extent provided in the Governing Documents of the Funds, the Adviser will pay out of Advisory Fees normal operating expenses of the Adviser and its equityholders, including salaries and benefits provided to employees of the Adviser or its affiliates (other than Carried Interest described in Item 6 below), rent, communications and similar normal overhead expenses of the Adviser or its affiliates.

As set forth more fully in, and subject to any restrictions in, the applicable Governing Documents of the Funds, each Fund generally will bear all fees, costs, expenses, liabilities and obligations relating to such Fund (and its subsidiaries and intermediate entities) and/or its activities, business, portfolio companies or actual or potential investments, including with respect to any entity formed to effect the acquisition and/or holding of a portfolio company (to the extent not borne or reimbursed by a portfolio company or potential portfolio company), including all fees, costs, expenses, liabilities and obligations relating or attributable to: (i) activities with respect to the structuring, organizing, negotiating, consummating, financing, refinancing, acquiring, bidding on, owning, managing, monitoring, operating, holding, hedging, restructuring, trading, taking public or private, selling, valuing, winding up, liquidating, or otherwise disposing of, as applicable, portfolio companies and the Fund's actual and potential investments (including follow-on investments) or seeking to do any of the foregoing (including any associated legal, financing, commitment, transaction or other fees and expenses payable to attorneys, accountants, investment bankers, lenders, third-party diligence software and service providers, consultants and similar professionals in connection therewith and expenses of relationship-building events associated therewith (such as closing dinners) and any fees and expenses related to transactions that may have been offered to co-investors), whether or not any contemplated transaction or project is consummated and whether or not such activities are successful; (ii) indebtedness of, or guarantees made by, the Fund, its general partner or certain other partners related to the Adviser on behalf of the Fund (including any credit facility, letter of credit or similar credit support), including interest with respect thereto, or seeking to put in place any such indebtedness or guarantee; (iii) financing, commitment, origination and similar fees and expenses; (iv) broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, private placement fees, sales commissions, investment banker and similar services; (v) brokerage, sale, custodial, depository, trustee, record keeping, account and similar services; (vi) legal, accounting, research, auditing, administration (including fees and expenses associated with the Fund's third-party administrator and administration or reporting software, if any), information, appraisal, advisory, valuation (including third-party valuations, appraisals or pricing services), consulting (including consulting and retainer fees and other compensation paid to consultants performing investment initiatives and other similar consultants), tax and other professional services; (vii) reverse breakup, termination and other similar fees; (viii) directors

and officers liability, errors and omissions liability, crime coverage and general partnership liability premiums and other insurance and regulatory expenses; (ix) filing, title, transfer, registration and other similar fees and expenses; (x) printing, communications, marketing and publicity (including costs of conferences (including related travel, lodging or meals) at which either industry trends or specific investment opportunities are discussed); (xi) the preparation, distribution or filing of Partnership-related or investment-related financial statements or other reports, tax returns, tax estimates, Schedule K-1s, or any other administrative, compliance or regulatory filings or reports (including Form PF, any filings or reports contemplated by the European Union Alternative Investment Fund Managers Directive or any similar law, rule or regulation and Cayman anti-money laundering regulations), or other information, including fees and costs of any third-party service providers and professionals related to the foregoing; (xii) developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software or other administrative or reporting tools (including subscription-based services) for the benefit of the Fund or its limited partners; (xiii) any activities with respect to protecting the confidential or non-public nature of any information or data; (xiv) to the extent provided in the applicable Governing Documents, or otherwise approved by the general partner of the Fund in its sole discretion, activities or proceedings of the advisory committee of the Fund (including any reasonable out of pocket costs and expenses incurred by representatives of the Fund's general partner, the advisory committee members, permitted observers and other persons in attending or otherwise participating in meetings of the advisory committee); (xv) indemnification (including any fees, costs and expenses incurred in connection with indemnifying any Fund partner or other person or entity in accordance with the Governing Documents and advancing fees, costs and expenses incurred by any such person or entity in defense or settlement of any claim that may be subject to a right of indemnification pursuant to the organizational documents of the Fund), except as otherwise set forth in the Fund's organizational documents; (xvi) actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including any judgment, other award or settlement entered into in connection therewith; (xvii) any annual limited partner meeting or other periodic, if any, meetings of the Fund's limited partners and any other conference or meeting with any Fund limited partner(s), in each case to the extent incurred by the Fund, its general partner or any other affiliate of such general partner; (xviii) the Advisory Fee of such Fund; (xix) except as otherwise determined by the Fund's general partner in its sole discretion, any fee, cost, expense, liability or obligation relating to any alternative investment vehicle or its activities, business, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company of such alternative investment vehicle) that would be a Fund expense if it were incurred in connection with the Fund, and any expenses incurred in connection with the formation, management, operation, termination, winding up and dissolution of any vehicles related to the Fund to the extent not paid by the investors investing in such entities; (xx) the termination, liquidation, winding up or dissolution of the Fund; (xxi) defaults by the Fund's partners in the payment of any capital contributions; (xxii) amendments to, and waivers, consents or approvals pursuant to, the constituent documents of the Fund, a parallel fund, and any alternative investment vehicle of the Fund or a parallel fund, including the preparation, distribution and implementation thereof; (xxiii) complying with any law or regulation related to the activities of the Fund (including regulatory expenses of the Fund's general partner incurred in connection with the operation of the Fund and legal fees and expenses) and, subject to any caps included in the applicable Governing Documents, any costs, fees and expense of any third-party

service providers and professionals related to the foregoing, including expenses related to maintaining the Fund's general partner's and its advisory affiliates' status as SEC-registered investment advisers, any related examination, and complying with the Advisers Act, and any similar U.S. federal or state or non-U.S. government or self-regulatory organization laws, rules or regulations that require the Fund's general partner or its affiliates to obtain or maintain a license, apply for, or otherwise rely upon, an exemption or otherwise be regulated in order to control or manage the affairs of the Fund (including expenses of any audit or exam, and expenses of any legal or other service providers maintained by the Fund's general partner or its affiliates to advise it or perform services on behalf of it or the Fund and the costs of any compliance software, services or programs implemented by the Fund's general partner or its affiliates in connection with such matters) and expenses related to complying with any applicable anti-money laundering regulations; (xxiv) any litigation or governmental inquiry, investigation or proceeding involving the Fund, including the amount of any judgments, settlements or fines paid in connection therewith, except to the extent such expenses or amounts have been determined to be excluded from the indemnification provided for in the Fund's Governing Documents; (xxv) unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer contemplated by the Fund's Governing Documents; (xxvi) any taxes, fees and other governmental charges levied against the Fund and all expenses incurred in connection with any tax audit, investigation settlement or review of the Fund (except to the extent that the Partnership is reimbursed therefor or such tax, fee or charge is treated as having been distributed to the Partners, in each case, in accordance with the Fund's Governing Documents); (xxvii) distributions to the Fund's partners and other expenses associated with the acquisition, holding and disposition of the Fund's investments, including extraordinary expenses; (xxviii) compliance or regulatory matters related to the Fund, except as otherwise set forth in the Fund's Governing Documents; (xxix) unreimbursed expenses and unpaid fees of the Operations Group (as defined below or as specified in the applicable Governing Documents) or its members; (xxx) any travel (including car service), lodging or meals relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities; (xxxi) any expenses (including travel, printing, legal, capital raising, accounting, regulatory compliance (including the initial compliance contemplated by the European Union Alternative Investment Fund Managers Directive or any similar law, rule or regulation and applicable Cayman anti-money laundering regulations), and any administrative or other filings) incurred in connection with the organization, funding and start up of the Fund, its general partner, parallel fund(s), general partner to such parallel fund(s) and ultimate general partner and any affiliated management company, including the preparation of, and negotiations with respect to, the Governing Documents of the Fund and any side letters or similar agreements (but potentially subject to offset to the extent described in the Governing Documents of the applicable Fund); (xxxii) any placement agents' fees and expenses (subject to the offset discussed above); and (xxxiii) any other fees, costs, expenses, liabilities or obligations approved by the advisory committee of the Fund. Excluded from Fund expenses are ordinary overhead and administrative expenses of the Fund incurred by the Fund's general partner, ultimate general partner or management company that are payable in connection with maintaining and operating their respective offices (including salaries, rent and equipment expenses) to the extent not borne or reimbursed by a portfolio company. The Funds also bear expenses indirectly to the extent a portfolio company (or intermediate entity) pays expenses, including expenses of the Adviser. 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 fees associated with Related Services) 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. As is typical for private equity funds, the Funds likely bear additional and greater expenses, directly or indirectly, than many other pooled investment products, such as mutual funds, and there can be no assurance that the benefits to investors will be commensurate with such expenses.

As described above, in certain circumstances, the Adviser is expected to permit certain investors to co-invest in portfolio companies alongside one or more Funds, subject to the Adviser's related policies and the relevant Governing Documents and/or side letter agreements. The Adviser elects from time to time to charge such co-investors certain negotiated fees, which may take a variety of forms. Where a co-invest vehicle is formed, such entity generally will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction or would otherwise be beneficial, in the judgment of the Adviser, ultimately is not consummated, all broken deal expenses relating to such proposed transaction will be borne by the Fund(s), and not by any potential co-investors, that were to have participated in such transaction.

Additionally, as further described herein and the Governing Documents of the applicable Funds, the Adviser expects to retain, on behalf of a Fund and/or its portfolio companies, as applicable, operating partners and other consultants ("Operating Partners"), which could potentially be affiliates of the Adviser, employees of such affiliates, portfolio companies of other funds managed by the Adviser, third party consultants (including individual members of an "Operations Group" comprised of persons retained by the Adviser primarily to provide manufacturing, sales, marketing, technology, human resources, acquisition integration/rationalization and/or other operations services, acquisition or other due diligence, or similar services to a Fund, any alternative investment vehicle or any portfolio company or prospective portfolio company of a Fund or any alternative investment vehicle, consultants and external executives), "strategic partners," "executive partners" or "senior advisors." The Operating Partners potentially will regularly provide services to, or in connection with, the Fund in relation to its activities, or to one or more portfolio companies in relation to the identification, acquisition, holding, improvement and disposition of such portfolio companies, including operational aspects of such companies. Fees and expenses associated with such services ("Consulting Fees and Expenses") are typically paid and/or reimbursed by applicable portfolio companies and/or the Fund, and such fees and expenses do not offset or reduce the Advisory Fee. Consulting Fees and Expenses are expected to include cash fees, profits or equity interests in a portfolio company, a share of proceeds upon sale of a portfolio company and/or other incentive-based compensation to the Operating Partner, the amount of which is typically determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the Operating Partner, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts believed to

be charged by other providers for comparable services and/or a percentage of cash flows from such company. Additionally, portfolio companies will potentially provide opportunities for Operating Partners to invest in such portfolio company and reimburse costs and expenses incurred by Operating Partners. Operating Partners also will potentially receive remuneration from the Adviser and/or the Fund or affiliates and/or be entitled to other forms of compensation, including equity grants in portfolio companies. Such investment opportunities, reimbursements and other compensation paid to an Operating Partner will not offset the Advisory Fee. For a discussion of material conflicts of interest created by the use of Operating Partners, please see Item 11 below.

The specific fees and expenses that are charged to a particular Fund are described in more detail in such Fund's Governing Documents and/or other documentation received by each investor prior to investment in such Fund.

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

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

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

With respect to certain Funds, and in each case as set forth in the applicable Governing Documents, a portion of the profits of each such Fund is allocated to the capital account of its general partner, if any, as "carried interest" (the "Carried Interest"). Each general partner of a Fund is a related person of the Adviser. Carried Interest paid by a Fund is indirectly borne by investors in such Fund. The carried interest distributed to the applicable general partner is subject to a potential giveback at the end of life of the applicable Fund if such general partner has received excess cumulative distributions, subject to limitations set forth in the applicable Governing Documents.

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

The payment by some, but not all, Funds of Carried Interest or the payment of Carried Interest at varying rates (including varying effective rates based on the past performance of a Fund) has the potential to create an incentive for the Adviser to disproportionately allocate time, services or functions to Funds paying Carried Interest or Funds paying Carried Interest at a higher rate, or allocate investment opportunities to such Funds. Generally, and except as may be otherwise set forth in the organizational documents of the Funds and any side letter agreements with the investors in the applicable Fund, this conflict is mitigated by (i) certain limitations on the ability of the Adviser to establish new investment funds, (ii) contractual provisions requiring certain Funds to purchase and sell investments contemporaneously and/or (iii) contractual provisions and procedures setting forth allocation requirements. Additionally, the Adviser periodically reviews the time and services being devoted to the Funds to ensure that the necessary resources are being allocated to each Fund. Please also see Item 12 below regarding trade aggregation, as

well as Item 11 below for additional information relating to how conflicts of interests 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 (subject to the direction and control of the general partner of each such Fund, if applicable) and not individually to investors in such Fund, and references throughout this Brochure to “clients” and to the Adviser’s related duties to and practices on behalf of its clients and/or investors should be construed accordingly.

Interests in the Funds are offered pursuant to applicable exemptions from registration under the Securities Act and the 1940 Act. Investors in the Funds generally include, among others, high net worth individuals, financial institutions, pension and profit sharing plans, trusts, estates, charitable organizations, university endowments, corporations, limited partnerships and limited liability companies or other entities.

The Adviser also generally is permitted from time to time to establish Funds that are alternative investment vehicles in order to permit certain investors to participate in one or more particular investment opportunities in a manner desirable for tax, regulatory or other reasons. Alternative investment vehicle sponsors generally have limited discretion to invest the assets of these vehicles independent of limitations or other procedures set forth in the organizational documents of such vehicles and the related Fund.

The Adviser does not have a minimum size for a Fund, but reserves the right to establish minimum investment commitments for investors in the Funds. The general partner of each Fund generally is permitted in its sole discretion to allow investments below the minimum amounts set forth in the offering documents of such Fund.

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

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

The Adviser’s investment strategy is to focus on investments primarily in the specialty medical device manufacturers, product manufacturers, distributors, and services businesses within the North American healthcare industry. The Funds typically take control or near-control investment positions in companies that require capital for consolidation, growth, or expansion. “Near-control” positions describe those investments in which a Fund may have less than a majority of the voting power, but has negative control rights, governance rights, and the ability to force a sale of the portfolio company at some point in the future. Generally, a Fund will seek investment opportunities in subsectors that meet the following general criteria:

- Fragmented markets
- High gross margins and strong free cash flows
- Organic sector growth of approximately five to fifteen percent

- Differentiated technologies with barriers to entry
- Highly recurring revenue streams

Within these subsectors, a Fund will typically target companies that meet the following criteria:

- A minimum of three to five years of operating history
- Revenue greater than \$20 million and EBITDA greater than \$5 million
- Potential long term revenue growth rates of 20 to 25%
- Expansion and growth economies available
- Platform for consolidation
- The Adviser has a deep knowledge of the operating business
- Visible exit within three to five years
- Ability to take a control or near-control ownership position
- Owners have limited access to third party capital
- A capable management team that can be supplemented with the Adviser's network of healthcare executives

The following are certain core components of the Adviser's investment strategy for the Funds:

- Identify investment candidates using the Adviser's proprietary deal mining approach. The Adviser's principals and their professional staff seek to identify and source investment opportunities within the United States and Canada by (i) harvesting their proprietary deal mining database, (ii) attending or marketing towards attendees of approximately 25 to 30 healthcare conferences and trade shows annually and (iii) contacting over 13,000 target companies annually.
- Invest \$35 to \$45 million into approximately 10 companies for each Fund. The Adviser typically targets a small number of platform investments for each Fund with the goal of staying close to the operations of each of its companies. Generally, a Fund's typical total equity capital invested in a company may range from \$35 to \$45 million through a combination of initial equity invested and subsequent equity commitments. Certain Funds may have investments that are smaller or greater than this range. The particular parameters of a Fund are set out in each Fund's organizational documents and/or other documentation received by each investor prior to investment in such Fund.
- Obtain control or near-control ownership positions. The Adviser believes a control or near-control ownership position is necessary in order to drive and create value. In control positions, a Fund may be able to capture the attention of the management team, install a new management team if necessary, create financial incentives for management to grow the business, and develop the kind of culture that breeds action and value creation. One primary risk in private equity investing occurs when a fund has a minority investment in a company and has limited ability to affect change or control an exit. Investors in private

companies who sit on boards often have different perspectives, agendas, and diverging views on how to achieve the company's financial objectives. A control or near-control position may enable a Fund to avoid these corporate governance issues and decisively determine when to take advantage of sale opportunities.

- Utilize two to three and a half times average debt to EBITDA multiples. Generally, the Funds target and structure investments in portfolio companies with two to three and a half times of debt leverage, thereby allowing the investment strategy to be independent of the cyclical debt markets.
- Build and scale the business. Following an equity investment, the Adviser's principals generally are most involved for six to twelve months thereafter to prepare the portfolio company for growth. The Adviser seeks to position the company as a platform for growth and seeks to leverage its network of healthcare executives to help evaluate and enhance management and hold seats on a company's board of directors. The Adviser further seeks to change and improve the company's board and governance structure and create the appropriate incentives for senior managers of the portfolio company. The Adviser's principals and the portfolio company management team will typically develop a plan to target 20 to 25% revenue growth and 10 to 15% annual cash flow growth. The Funds will seek acquisitions that enable consolidation, allow for cutting costs, and achieve economies of scale. Consolidation can be achieved through scale and cost cutting in manufacturing, distribution, and administrative overheads and through implementing technology solutions to achieve greater efficiencies. Areas for scale opportunities generally include additional product breadth, national sales coverage, national advertising scale, national account coverage, contracting, consolidating suppliers, and combining research and development. The Adviser typically seeks to motivate portfolio company management teams by linking significant portions of management's compensation directly to growth targets.
- Seek an exit strategy. The Adviser believes that once a portfolio company exceeds \$15 million of EBITDA with steady cash flow growth, it becomes an interesting candidate for an acquisition by a larger strategic buyer or private equity firm. The Funds typically seek a liquidity event in the third or fourth year of an investment, to the extent consistent with the best interests of the company and its shareholders. Liquidity events are often driven by exogenous circumstances. However, the Adviser seeks to work with the management team to develop a plan early to position the balance sheet, management team, corporate structure, and profitability for liquidity events.

## **Risks**

Investing in securities involves a substantial degree of risk. A Fund may lose all or a substantial portion of its investments, and investors in the Funds must be prepared to bear the risk of a complete loss of their investments.

In addition, material risks relating to the investment strategies and methods of analysis described above, and to the types of securities typically purchased by or for the Funds, include the following:



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

Investment in Junior Securities. The securities in which the 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.

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

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

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

Healthcare Research and Innovation. The healthcare industry spends heavily on research and development. Research findings (e.g., regarding side effects or comparative benefits of one or more particular treatments, services or products) and technological innovation (together with

patent expirations) may make any particular treatment, service or product less attractive if previously unknown or underappreciated risks are revealed, or if a more effective, less costly or less risky solution is or becomes available. Any such development could have a material adverse effect on the companies in which a Fund invests.

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

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

Cybersecurity Risks. Cyber-attacks and other malicious Internet-based activity continue to increase in frequency and magnitude. Recent events have illustrated such ongoing cybersecurity risks to which operating companies are subject. Techniques used to sabotage, or to obtain unauthorized access to, systems or networks change frequently and generally are not recognized

until launched against a target. Therefore, companies, as well as their third-party partners (including vendors and portfolio companies), may be unable to anticipate these techniques, react in a timely manner, or implement adequate preventive measures. The Adviser's and the Funds' portfolio companies' information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, denial-of-service attacks, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes.

Although the Adviser has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the Adviser, the Funds and/or a portfolio company may incur specific time or expense to fix or replace them and to seek to remedy the effects of such issues. To the extent that the Adviser or a portfolio company is subject to cyber-attack or other unauthorized access is gained to a portfolio company's systems, it may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or portfolio company financial information; (iii) portfolio company software, contact lists or other databases; (iv) portfolio company proprietary information or trade secrets; or (v) other items. In certain events, a portfolio company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Additionally, the Adviser's, a Fund's and/or a portfolio company's insurance coverage may be insufficient to compensate any such entity and its respective affiliates for incurred liabilities. Any of such circumstances could subject a portfolio company, or a Fund, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at the Adviser or one of its service providers holding its financial or investor data, the Adviser, its affiliates and/or a Fund may also be at risk of loss, despite efforts to prevent and mitigate such risks.

Concentration of Investments. Each Fund will participate in a limited number of investments and investments in one industry or one industry segment or within a short period of time. As a result, such 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. 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.

Lack of Sufficient Investment Opportunities. The business of identifying, structuring and completing private equity transactions is highly competitive and involves a high degree of uncertainty. It is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified. However, investors in a Fund will be required to bear Advisory Fees through such Fund during the investment period of such Fund based on the entire amount of such Fund's limited partners' commitments and other expenses as set forth in the Governing Documents of such Fund.

Growth Equity Transactions. The Funds' strategy includes targeting growth-equity investments. While growth-equity investments offer the opportunity for significant capital gains, such investments may involve a higher degree of business and financial risk that can result in

substantial or total loss. Growth-equity portfolio companies may operate at a loss or with substantial variations in operating results from period to period, and many will need substantial additional capital to support additional research and development activities or expansion, to achieve or maintain a competitive position, and/or to expand or develop management resources. Growth-equity portfolio companies may face intense competition, including from companies with greater financial resources, better brand recognition, more extensive development, marketing and service capabilities and a larger number of qualified managerial and technical personnel.

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

Leveraged Investments. A Fund may make use of leverage by incurring or having a portfolio company incur debt to finance a portion of its investment in a given portfolio company. Leverage generally magnifies both a Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. In addition, this leverage could accelerate and magnify declines in the value of a Fund's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, a Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of such Fund. Furthermore, should the credit markets be limited or costly at the time a Fund determines that it is desirable to sell all or a part of a portfolio company, such Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which a Fund will invest generally will not be rated by a credit rating agency. A Fund may also borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt) or otherwise be liable therefor, and in such situations, it is not expected that such Fund would be compensated for providing such guarantee or exposure to such liability. The use of leverage by a Fund also will result in interest expense and other costs to such Fund that may not be covered by distributions made to such Fund or appreciation of its investments. A Fund may incur leverage on a joint and several basis with one or more other investment funds and entities managed by the Adviser or any of its affiliates and may have a right of contribution, subrogation or reimbursement from or against such entities. In addition, to the extent a Fund incurs leverage (or provides such guaranties), such amounts may be secured by

capital commitments made by such Fund's investors and such investors' contributions may be required to be made directly to the lenders instead of such Fund.

Limited Transferability of Fund Interests. There will be no public market for Fund interests, and none is expected to develop. There are substantial restrictions upon the transferability of Fund interests under the applicable Governing Documents and securities laws. In general, withdrawals of Fund interests are not permitted. In addition, Fund interests are not redeemable.

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

Reliance on the Adviser and Portfolio Company Management. Control over the operation of the Funds will be vested with the Adviser, and a Fund's future profitability will depend largely upon the business and investment acumen of the principals of the Adviser. The loss or reduction of service of one or more of the principals could have an adverse effect on a Fund's ability to realize its investment objectives. In addition, the principals currently, and may in the future, manage other investment funds besides the Funds and the principals may need to devote substantial amounts of their time to the investment activities of such other funds, which may pose conflicts of interest in the allocation of the time of the principals. Limited partners in a Fund generally have no right or power to take part in the management of such Fund, and as a result, the investment performance of such Fund will depend on the actions of the Adviser. In addition, certain changes in the Adviser or circumstances relating to the Adviser may have an adverse effect on a Fund or one or more of its portfolio companies including potential acceleration of debt facilities.

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

Projections. Projected operating results of a company in which a Fund invests 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.

Conflicting Investor Interests. Limited partners in a Fund may have conflicting investment, tax, and other interests with respect to their investments in such Fund, 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 a Fund and its partners as a whole, not the investment, tax, or other objectives of any limited partner individually.

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 a Fund's activities, including the ability of such Fund to effectively and timely address such regulations, implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives.

The combination of such scrutiny of private equity firms (along with other alternative asset managers) and their investments by various politicians, regulators and market commentators, and the public perception that certain alternative asset managers, including private equity firms, contributed to the recent downturn in the U.S. and global financial markets, may complicate or prevent a Fund's efforts to structure, consummate and/or exit investments, both in general and relative to competing bidders outside of the alternative asset space. As a result, a Fund may invest in fewer transactions or incur greater expenses or delays in completing or exiting investments than it otherwise would have.

Additionally, Congress has considered proposed legislation that would treat certain income allocations to service providers by partnerships such as a Fund (including any carried interest) as ordinary income for U.S. federal income tax purposes that under current law is treated as an allocation of the partnership's income, which may be taxed at lower rates than ordinary income. Enactment of any such legislation, whether during or after the initial closing of a Fund, could adversely affect the ability of the principals, employees or other individuals associated with a Fund or the Adviser who were or may in the future be granted direct or indirect interests in such Fund's General Partner, to benefit from carried interest taxed at lower rates. This may reduce such persons' after-tax returns from such Fund 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 a Fund. These same issues may also apply to officers, directors and employees of a Fund's portfolio companies if such persons receive a profits interest in such companies.

Alternative Investment Fund Managers Directive. The European Union ("EU") 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 a Fund is actively marketed to investors domiciled or having their registered office in the EEA: (i) such Fund and its General Partner will be subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which will result in such Fund incurring additional costs and expenses; (ii) such Fund and its General Partner may become subject to additional regulatory or compliance obligations arising under national law in certain EEA jurisdictions, which would result in such Fund incurring additional costs and expenses or may otherwise affect the management and operation of such Fund; (iii) such General Partner will be required to make detailed information relating to such Fund and its investments available to regulators and third parties; and (iv) the AIFMD will also restrict certain activities of such Fund in relation to EEA portfolio companies, including, in some circumstances, such Fund's 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 such Fund 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 a Fund to raise its targeted amount of 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 a Fund in those jurisdictions, which may lead to a reduction in the overall amount of capital invested in such Fund. 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 a Fund and its 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 formally notified the European Council of its intention to leave the EU ("Brexit"). After a number of iterations, the European Commission and the UK's negotiators reached agreement on the terms of the UK's withdrawal from the EU, and these terms have been approved by the UK and EU Parliaments. The UK formally left the EU on January 31, 2020 after which the UK entered the transition period specified in the withdrawal agreement, which is scheduled to end on December 31, 2020. During this period, it is expected that the majority of the existing EU rules will continue to apply in the UK.

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

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

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

Need for Follow-On Investments. Following its initial investment in a given portfolio company, a 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, as an equity cure under applicable debt documents or for other reasons). There is no assurance that a Fund will make follow on investments or that a Fund will have sufficient funds to make all or any of such investments. Any decision by a Fund not to make follow on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made). Additionally, such failure to make such investments may result in a lost opportunity for a Fund to increase its participation in a successful portfolio company or the dilution of a Fund's ownership in a portfolio company if a third party invests in such portfolio company.

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

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



Hedging Arrangements; Related Regulations. The Adviser may (but is not obligated to) endeavor to manage a Fund's or any portfolio company's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. A Fund may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter ("OTC") contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used.

In some cases, particularly in OTC contexts, hedging arrangements will subject a Fund to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose a Fund to additional liquidity risks if such contracts cannot be adequately settled.

Certain hedging arrangements may create for the Adviser and/or one of its affiliates an obligation to register with the U.S. Commodity Futures Trading Commission ("CFTC") or other regulator or comply with an applicable exemption. Losses may result to the extent that the CFTC or other regulator imposes position limits or other regulatory requirements on such hedging arrangements, including under circumstances where the ability of a Fund or a portfolio company to hedge its exposures becomes limited by such requirements.

Litigation. In the ordinary course of its business, a Fund may be subject to litigation from time to time. The outcome of such proceedings may materially adversely affect the value of a Fund and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of the Adviser's and its principals' 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.

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, viral or disease outbreaks or epidemics 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 a Fund and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by a Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon a Fund's portfolio companies.

Public Health Emergencies; COVID-19. Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, ebola and the current outbreak of COVID-19 (as defined below), have and are resulting in market volatility and disruption, and future such emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to a Fund.

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

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

The ongoing COVID-19 crisis and any other public health emergency could have a significant adverse impact and result in significant losses to a Fund. The extent of the impact on Funds and their portfolio companies’ operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact may include

significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors may limit the ability of the Funds to source, diligence and execute new investments and to manage, finance and exit investments in the future, and governmental mitigation actions may constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy the Funds intend to pursue, all of which could adversely affect the Funds' ability to fulfill their investment objectives. They may also impair the ability of portfolio companies or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences. In addition, the operations of the Funds, their portfolio companies and the Adviser may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, restrictions on travel and movement, remote-working requirements and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity's personnel. These measures may also hinder such entities' ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

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

Deterioration of Credit Markets May Affect Ability to Finance and Consummate Investments. The recent deterioration of the global credit markets has made it more difficult for investment funds such as the Funds to obtain favorable financing for investments. A widening of credit

spreads, coupled with the deterioration of the sub-prime and global debt markets and a rise in interest rates, has dramatically reduced investor demand for high yield debt and senior bank debt, which in turn has led some investment banks and other lenders to be unwilling to finance new private equity investments or to only offer committed financing for these investments on unattractive terms. A Fund's ability to generate attractive investment returns may be adversely affected to the extent such Fund is unable to obtain favorable financing terms for its investments. Moreover, to the extent that such marketplace events are not temporary and continue, they may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Such marketplace events also may restrict the ability of a Fund to realize its investments at favorable times or for favorable prices.

Material Non-Public Information. As a result of the operations of the Adviser, the Adviser frequently comes into possession of confidential or material, non-public information. Therefore, the Adviser may have access to material, non-public information that may be relevant to an investment decision to be made by a Fund. Consequently, a Fund may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or the Adviser's internal policies. Due to these restrictions, a Fund may not be able to make an investment that it otherwise might have made or sell an investment that it otherwise might have sold.

Unfunded Pension Liabilities of Portfolio Companies. 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. A Fund may, from time to time, invest in a portfolio company that has unfunded pension fund liabilities, including structuring the investment in a manner where such Fund may own an 80% or greater interest in such a portfolio company. If a Fund (or other 80%-owned portfolio companies of a Fund) were deemed to be liable for such pension liabilities, this could have a material adverse effect on the operations of such Fund and the companies in which such Fund invests. This discussion is based on current court decisions, statute and regulations regarding control group liability under the Employee Retirement Income Security Act of 1974, as amended, as in effect as of the date of this Brochure, which may change in the future as the case law and guidance develops.

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

Conflicts of Interest. In the ordinary course of the Adviser conducting its activities, the interests of a Fund may conflict with the interests of the Adviser, one or more other Funds, portfolio companies or their respective affiliates. For a discussion of certain of these conflicts of interest, please see Item 11 below.

## **Item 9. Disciplinary Information**

Item 9 is not applicable to the Adviser.

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

DWHP Management Services (Canada) ULC (“DWHP Canada”) provides certain advisory, administrative and other support functions to the Adviser in connection with the Adviser’s services to the Funds. Various limited liability companies (the “General Partners”) serve as general partners of the Funds, and the principal owners of the Adviser and other members of the Adviser are the managing members of each General Partner of a Fund. DW Management, DWHP Canada, and the General Partners are subject to the Advisers Act pursuant to DW Management’s registration in accordance with SEC guidance. These entities operate as a single advisory business and serve as managers or general partners of Funds and other pooled vehicles and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions.

## **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 all of its members, officers and employees, as well as officers and employees of its affiliates (collectively, “Adviser Personnel”). The Code of Ethics, which is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 (as amended, the “Advisers Act”), establishes guidelines for professional conduct and personal trading procedures, including certain pre-clearance and reporting obligations. Adviser Personnel and their families and households are permitted to 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 terms of the organizational documents of the Funds. Under the Code of Ethics, Adviser Personnel are also required to file certain periodic reports with the Adviser’s Chief Compliance Officer as required by Rule 204A-1 under the Advisers Act. The Code of Ethics helps the Adviser detect and prevent potential conflicts of interest.

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

A copy of the Code of Ethics is available to any client or prospective client upon written request to: Lance Ruud at [lruud@dwhp.com](mailto:lruud@dwhp.com) or at 435-645-4050.

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

The Adviser and certain members, employees and affiliates of the Adviser generally are expected to invest in (and alongside) the Funds, either through the General Partners, as direct investors in the Funds, through personal or employee investment vehicles, or otherwise. A Fund or its General Partner, as applicable, generally expects to reduce all or a portion of the Advisory Fee and Carried Interest 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 purchasers of a limited partner’s interests in a secondary transaction) or a co-investment opportunity (see below) may ask different questions and request different information, the Adviser anticipates that it will from time to time provide certain information to one or more prospective investors that it does not provide to all of the prospective investors or limited partners.

### **Conflicts of Interest**

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

The Adviser expects to, from time to time, establish certain investment vehicles through which certain employees of the Adviser or its affiliates, certain business associates, other “friends of the firm,” or other persons may invest alongside one or more Funds in one or more investment opportunities. Such vehicles, referred to herein as “co-investment vehicles,” generally are contractually required, as a condition of investment, to purchase and sell each investment opportunity at substantially the same time and substantially the same terms as the applicable Fund that is invested in that investment opportunity. Such co-investment vehicles do not pay Advisory Fees or Carried Interest and do not bear any of the fees or expenses incurred by any Fund, including a Fund’s operating expenses and expenses relating to its investment activities.

### ***Resolution of Conflicts***

In the case of all conflicts of interest, the Adviser’s determination as to which factors are relevant, and the resolution of such conflicts, will be made using the Adviser’s best judgment, but in its sole discretion, subject to the Governing Documents of the applicable Fund(s). In resolving conflicts, the Adviser considers various factors, which potentially include, for example, the interests of the applicable Funds with respect to the immediate issue and/or with respect to

their longer term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors have the potential to mitigate, but will not eliminate, conflicts of interest:

- (1) A Fund will not make an investment unless the Adviser believes that such investment is an appropriate investment considered solely from the viewpoint of such Fund;
- (2) Many important conflicts of interest will generally be resolved by set procedures, restrictions or other provisions contained in the relevant offering and/or organizational documents for the Funds;
- (3) Generally, each Fund has 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, it reserves the right to use unaffiliated third parties to help resolve conflicts, such as the use of an investment banker to opine as to the fairness of a purchase or sale price; and
- (5) Prior to subscribing for interests in a Fund, each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of the Fund.

### *Conflicts*

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 are faced by a Fund. Other conflicts are disclosed throughout this brochure and the brochure should be read in its entirety for other conflicts.

### *Allocation of Investment Opportunities Among Clients and Allocation of Co-Investment Opportunities*

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 have the potential to include, but are not limited to, the following:

- The Funds;
- Any co-investment vehicles that have been formed to invest side-by-side with one or more Funds in one or more particular transactions entered into by such Fund(s) (the investors in such co-investment vehicles may include, without limitation, employees, business associates and other “friends and family” of the Adviser or its personnel; individuals and entities that are also investors in one or more Funds (“Adviser Investors”); and/or individuals and entities that are not investors in any Funds (“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); and
- Adviser Investors and/or Third Parties acting as “co-sponsors” with the Adviser with respect to a particular transaction.

In recognition of its fiduciary duties, it is the policy of the Adviser to treat its clients fairly and equitably in the allocation of investment opportunities and transactions more generally. The Adviser has adopted written policies and procedures relating to the allocation of investment opportunities, and will make allocation determinations consistently therewith.

The Funds are generally subject to investment allocation requirements (collectively, “Investment Allocation Requirements”), which will also apply directly or indirectly to certain co-investment vehicles with investments contractually tied to the Funds. Investment Allocation Requirements are in certain cases set forth in the instrument under which the Fund was established (such as a Fund’s limited partnership agreement or private placement memorandum), or in side letters. 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 will participate in an investment opportunity. The Adviser assesses whether an investment opportunity is appropriate for a particular Fund(s), based on the Fund’s investment objectives, strategies and structure. A Fund’s investment objectives, strategies and structure typically are reflected in the Fund’s offering memoranda and organizational documents. Prior to making any allocation to a Fund of an investment opportunity, the Adviser determines what additional factors indicate that the offering of an investment opportunity should be restricted or limited to particular Fund(s). Possible restrictions include, but are not limited to:

- **Obligation to Offer:** the Adviser will potentially be required to offer an investment opportunity to one or more Funds. This obligation to offer investment opportunities would often be set forth in a Fund’s offering documents and/or organizational documents.
- **Related Investments:** the Adviser anticipates that it will in many situations offer an investment opportunity related to an investment previously made by a Fund(s) to the Fund(s) that holds the previous investment to the exclusion of, or resulting in a limited offering to, other Funds that did not participate in the previous investment.
- **Legal and Regulatory Exclusions:** in certain circumstances, the Adviser expects to determine that certain Funds or investors in such Funds should be excluded from an allocation due to specific legal, regulatory and contractual restrictions placed on the participation of such persons in certain types of investment opportunities.

Once the Funds that will participate in a particular investment have been identified, the Adviser, in its discretion, decides how to allocate such investment opportunity among the identified Funds. In allocating such investment opportunity, the Adviser, in its sole discretion, is permitted



to consider some or all of a wide range of factors, which potentially include, but are not necessarily limited to, the following:

- Each Fund's investment objectives and investment focus;
- Transaction sourcing;
- Each Fund's liquidity and reserves;
- Each Fund's diversification;
- Lender covenants and other limitations;
- Amount of capital available for investment by each Fund as well as each Fund's projected future capacity for investment;
- Each Fund's targeted rate of return;
- Stage of development of the prospective portfolio company or other investment;
- Composition of each Fund's portfolio;
- The suitability as a follow-on investment for a current portfolio company of a Fund;
- The availability of other suitable investments for each Fund;
- Risk considerations;
- Cash flow considerations;
- Asset class restrictions;
- Industry and other allocation targets;
- Minimum and maximum investment size requirements;
- Tax implications;
- 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 Adviser will seek to make all allocations of investment opportunities among the Funds in a fair and equitable manner under the circumstances, and will not favor or disfavor, consistently or consciously, any Fund or class of Funds in relation to any other Funds. Further, the Adviser will not allocate investment opportunities based, in whole or in part, on (i) the relative fee structure or amount of fees paid by any Fund, (ii) the profitability of any Fund or (iii) any person's interest in offering or participating in co-investment opportunities outside of any Fund. Generally, after applying this process, investment opportunities are allocated first to the oldest Funds whose investment periods have not expired and which have unfunded capital.

Subject to any Investment Allocation Requirements, in general, (i) no investor in a Fund has a right to participate in any co-investment opportunity, (ii) decisions regarding whether and to whom to offer co-investment opportunities are made in the sole discretion of the Adviser or its related persons, (iii) co-investment opportunities 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 (iv) the Adviser reserves the right, in the sole discretion of the Adviser or its related persons, to offer co-investment opportunities to certain persons other than investors in the Funds (e.g., Third Parties).

The Adviser will determine if the amount of an investment opportunity exceeds the amount the Adviser determines would be appropriate for the Funds, and the Adviser reserves the right to offer any such excess to one or more co-investors pursuant to the procedures included in such Funds' organizational documents or side letter agreements and as set forth in the following paragraphs.

In exercising its discretion to allocate co-investment opportunities with respect to a particular investment among the Funds and other potential co-investors, the Adviser is permitted to consider some or all of a wide range of factors, which potentially include, but are not limited to, 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) 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;
- 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;
- The Adviser's evaluation of its past experiences and relationships with the potential co-investment party, such as the willingness or ability of the potential co-investment party to respond promptly and/or affirmatively to potential investment opportunities previously offered by the Adviser;
- The Adviser's evaluation of whether the investment opportunity may subject the potential co-investment party to legal, regulatory, 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 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);
- 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 have the potential to provide indirectly longer-term benefits to current or future Funds; and

- The candidate co-investor or co-investing entity offers special expertise or industry ties that may enhance the success of the investment.

A candidate co-investor will potentially also offer financial terms to the Adviser that are more attractive than those offered by other potential co-investors, which also has the potential to influence the Adviser's co-investment allocation decision. Furthermore, the Adviser or its related persons expect to make decisions regarding whether and to whom to offer co-investment opportunities in consultation with other participants in the relevant transactions, such as a lender or co-sponsor. Co-investment opportunities typically will be offered to some and not to other investors with a given Fund, and the consideration of the factors set forth above likely will result in certain investors receiving multiple opportunities to co-invest while others expressing interest in co-investments have the potential to receive none. When and to the extent that employees and related persons of the Adviser make capital investments in or alongside certain Funds, the Adviser is subject to potentially conflicting interests in connection with these investments. There can be no assurance that any Fund's return from 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.

The Adviser's exercise of its discretion in allocating investment opportunities with respect to a particular investment among the persons, including the Funds and potential co-investors, and in the manner discussed above often will not result in proportional allocations among such persons, and such allocations likely will be more or less advantageous to some such persons relative to other such persons. While the Adviser will determine how to allocate investment opportunities using its best judgment, considering such factors as it deems relevant, but in its sole discretion, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made will be as favorable as they would be if the potential conflicts of interest to which the Adviser expects to be subject, discussed herein, did not exist.

In addition, to the extent the Adviser has discretion over a secondary transfer of interests in a Fund pursuant to such Fund's Governing Documents, the Adviser expects to consider the factors listed above in exercising such discretion. Subject to any restrictions in the organizational documents of the applicable Fund, the Adviser or its related persons in certain cases could be asked to identify a limited number of secondary transferees to potentially acquire the interest being transferred.

The Adviser will allocate fees and expenses to be borne by the Funds in accordance with the organizational documents of the Funds or, to the extent not addressed in such documents or agreements, in its sole discretion, in each case using good faith and its best judgment. In exercising such discretion, the Adviser expects to be faced with a variety of potential conflicts of interest. As a general matter, Fund expenses typically will be allocated among all relevant Funds or co-invest vehicles eligible to reimburse expenses of that kind. The Funds generally have different expense reimbursement terms, including with respect to Advisory Fee offsets, which is expected from time to time to result in the Funds bearing different levels of expenses with respect to the same investment.

The appropriate allocation between Funds and potential co-investors of expenses and fees generated in the course of evaluating and making investments which are not consummated, such as out-of-pocket fees associated with due diligence, attorney fees and the fees of other professionals, will be determined by the Adviser and its affiliates in their discretion, consistent with the organizational documents of the Funds, as applicable. Such expenses typically are allocated entirely to the applicable Funds and not to any potential co-investors that were to have participated in such transaction. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such vehicle is expected to bear its share of such broken deal expenses. There may be occasions when one Fund (the “Payor Fund”) pays an expense or obligation common to multiple funds (the “Allocated Funds”) (e.g., legal expenses for a transaction in which all such funds participate). On such occasions, each Allocated Fund will reimburse the Payor Fund for its share of such expense or obligation, without interest, promptly after the payment is made by the Payor Fund. While highly unlikely, it is possible that one of the Allocated Funds could default on its obligation to reimburse the Payor Fund. In certain circumstances, the Adviser or its affiliate is expected to advance amounts related to the foregoing and receive reimbursement from the Funds to which such expenses relate.

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

In addition, principal executive officers and other personnel of the Adviser invest indirectly in (or alongside), and reserve the right in certain cases to invest directly, in Funds and therefore will participate indirectly in investments made by the Funds in which they invest. Such interests will vary Fund by Fund. The existence of these varying circumstances present potential conflicts of interest in determining how much, if any, of certain investment opportunities to offer to a Fund.

#### *Conflicts Related to Purchases and Sales*

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

Investment opportunities potentially will be appropriate for Funds at the same, different or overlapping levels of a portfolio company's capital structure. Conflicts will potentially arise in determining the terms of investments, particularly where these clients invest in different types of securities in a single portfolio company. Questions may arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced 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 may raise conflicts of interest, particularly in Funds that have invested in different securities within the same portfolio company. 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 its sole discretion. Because of the different legal rights associated with debt and equity of the same portfolio company, the Adviser expects to face a potential conflict of interest in respect of the advice it gives to, and the actions it takes on behalf of one Fund versus another Fund (*e.g.*, the terms of debt instruments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies).

In addition, a conflict will potentially arise in allocating an investment opportunity if the potential investment target could be acquired by either a Fund or a portfolio company of another Fund. Investments by more than one client of the Adviser in a portfolio company also have the potential to raise the risk of using assets of a client of the Adviser to support positions taken by other clients of the Adviser. Employees and related persons of the Adviser and its affiliates have made or may make capital investments in or alongside certain Funds, and therefore are potentially subject to additional conflicting interests in connection with these investments. There can be no assurance that the return of a Fund participating in a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

Subject to the terms of its organizational documents, 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.

### *Cross-Transactions*

In certain cases, the Adviser reserves the right to cause a Fund to purchase investments from, or sell investments to, another Fund, co-investor or co-investment vehicle. Such transactions may arise in the context of automatic or other re-balancing of an investment among parallel investing entities or in contexts where a portfolio company owned by one Fund is acquired by a portfolio company acquired by another Fund. Such transactions create potential conflicts of interest because, by not exposing such buy and sell transactions to market forces, a Fund may not receive the best price otherwise possible, or the Adviser might have an incentive to improve the performance of one Fund by selling underperforming assets to another Fund in order, for example, to earn fees or to support the value of portfolio companies owned by the selling Fund. These conflicts are heightened to the extent the relevant securities are illiquid or do not have a

readily ascertainable value, and there generally can be no assurance that the price at which such transactions are entered into represent what would ultimately be the underlying investment's fair value. Additionally, in connection with such transactions, the Adviser, its affiliates and/or their professionals potentially could (i) have significant investments, or intentions to invest, in the Fund that is selling and/or purchasing such an investment or (ii) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment). The Adviser and its affiliates typically receive management or other fees in connection with their management of the relevant Funds involved in such a transaction, and are also likely to be entitled to share in the investment profits of the relevant Funds. To address these conflicts of interest, in connection with effecting such transactions, the Adviser will follow the Investment Allocation Requirements of the relevant Funds (e.g., the Governing Documents of certain Funds potentially provide for the rebalancing of investments at certain times and at a cost set forth in those documents so that these Funds' resulting ownership of investments is generally proportionate to the relative capital commitments of the Funds). To the extent such matters are not addressed in the Investment Allocation Requirements, the Adviser's Chief Compliance Officer will be responsible for confirming that the Adviser (i) considers its respective duties to each Fund, (ii) determines whether the purchase or sale and price or other terms are comparable to what could be obtained through an arm's length transaction with a third party, and (iii) obtains any required approvals of the transaction's terms and conditions. The Adviser will not directly or indirectly receive any commission or other transaction-based compensation for effecting any such transaction, and the Adviser will not effect any such transaction for any Fund where the Adviser may be deemed to own more than 25% of the Fund, unless such transaction complies with the requirements of the Adviser's principal transactions policy, as described below.

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

### *Principal Transactions*

Section 206 under the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Very generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a "principal transaction"), the adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client's consent to the transaction. In connection with the Adviser's management of the Funds, the Adviser and its affiliates reserve the right to engage in principal transactions in certain circumstances. The Adviser has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including that disclosures required by Section 206 of the Advisers Act be made to the applicable Fund(s).

regarding any proposed principal transactions and that any required prior consent to the transaction be received. In addition, the offering documents, limited partnership agreements or other organizational documents and related documents relating to the Funds generally contain additional restrictions on the ability of the Funds or the Adviser to engage in principal transactions.

### *Management of the Funds*

The Adviser manages a number of Funds that have investment objectives similar to each other. The Adviser expects that in the future it is likely to establish one or more additional investment funds with investment objectives substantially similar to, or different from, those of the current Funds. Allocation of available investment opportunities between the Funds and any such investment fund could give rise to conflicts of interest. See “*Allocation of Investment Opportunities Among Clients and Allocation of Co-Investment Opportunities*” above.

The Adviser’s principals currently manage, and expect in the future to manage, several other investments similar to those in which any particular Fund will be investing, and expect to direct certain relevant investment opportunities or resources to those investments. The Adviser’s principals and investment staff will continue to manage and monitor such investments until their realization. Such other investments generally have the potential to compete with companies acquired by any particular Fund.

It is expected that employees of the Adviser responsible for managing a particular Fund will have responsibilities with respect to other Funds managed by the Adviser, including any Funds that are raised in the future. Potential conflicts of interest are likely to arise in allocating time, services or functions of these officers and employees. Following the commitment period of a Fund, the Adviser’s principals reserve the right to, and likely will, focus their investment activities on other opportunities and areas unrelated to such Fund’s investments.

The operative documents and investment programs of certain Funds may restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of certain other vehicles in issuers held by such Funds or may give priority with respect to investments to such Funds. Some of these restrictions could be waived by investors (or their representatives) in such Funds.

### *Follow-on Investments*

Investments to finance follow-on acquisitions have the potential to present conflicts of interest, including determination of the equity component and other terms of the new financing as well as the allocation of the investment opportunities in the case of follow-on acquisitions by one Fund in a portfolio company in which another Fund has previously invested. In addition, subject to the terms of its organizational documents, in certain circumstances a Fund will potentially participate in leveraging and recapitalization transactions involving portfolio companies in which another Fund has already invested or will invest. Conflicts of interest have the potential to arise in such situations, 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.

### *Conflicts Relating to the General Partner and the Adviser*

The Adviser generally may, in its discretion, 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. When engaging a related person to provide such services, the Adviser has a potential incentive to recommend the related person even if an unaffiliated person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

The Adviser reserves the right to, 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 are expected to 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. When making such a recommendation, the Adviser, because of its financial or other business interest, has a potential incentive to recommend the related or other person even if an unaffiliated person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

The Adviser, its affiliates, and members, officers, principals and employees of the Adviser and its affiliates reserve the right to buy or sell securities or other instruments that the Adviser has recommended to Funds, subject to the terms of the organizational documents of the Funds. In addition, officers, principals and employees reserve the right to buy securities in transactions offered to but rejected by Funds. Any such transactions are subject to the policies and procedures set forth in the Adviser's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments are likely to vary from those of the Funds. If members, officers, principals and employees of the Adviser have made large capital investments in or alongside the Funds they will potentially have conflicting interests with respect to these investments.

The Adviser and its principals and employees expect from time to time to carry on investment activities for their own account, for personal or employee investment vehicles and, potentially, for family members, friends or others who do not invest in a Fund, as well as give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, any Fund, even though their investment objectives may be the same or similar.

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



### *Fee Structure*

Because 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 may not otherwise have done so.

Additionally, as discussed above in Item 6, the General Partners of many Funds are entitled to Carried Interest under the terms of the limited partnership agreements of such Funds. Such general partners are affiliates of the Adviser. The existence of the General Partners' Carried Interest has the potential to create an incentive for the General Partners to cause such Funds to make more speculative investments than they would otherwise make in the absence of performance-based compensation.

### *Related Services; Business with Portfolio Companies and Investors*

As described in Item 5 above, the Adviser and its affiliates generally perform Related Services for, and will receive fees from, actual or prospective portfolio companies or other investment vehicles of the Funds. Such fees will be in addition to any Advisory Fees or Carried Interest paid by the Funds to the Adviser. Additionally, a portfolio company typically will reimburse the Adviser for expenses (including without limitation travel expenses, which potentially shall include expenses for first class travel) incurred by the Adviser in connection with its performance of services for such portfolio company, and such reimbursements are not subject to the sharing arrangements described below. The amount of individual reimbursements is typically not disclosed to investors in any Fund, although their effect is reflected in the applicable Fund's audited financial statements. The Adviser generally determines the amount of these fees for Related Services in its own discretion. The receipt of fees for Related Services creates a conflict of interest between the Adviser and its affiliates, on the one hand, and the Funds and their investors, on the other hand, because the amounts of these fees and reimbursements over time are expected to be substantial, and could potentially influence the Adviser in connection with approving Fund investments and setting compensation for Related Services, among other matters. This potential conflict of interest is mitigated by the fact that the amount of such fees and any reimbursement of related expenses generally are subject to negotiations with sellers, buyers, and management teams, the board of directors of or lenders to portfolio companies (although, as a result of the Funds' controlling interests in portfolio companies, the Adviser typically has the right to appoint portfolio company board members (including current or former Adviser personnel or persons serving at their request), or to influence their appointment, and to determine or influence a determination of their compensation), and/or third party co-investors in its transactions, as well as the fact that the categories of such fees are disclosed to the applicable Fund's investors and a portion of such fees offset Advisory Fees otherwise payable by the applicable Fund, as further described below. The Adviser and its affiliates will in some circumstances reduce the amount of Advisory Fees paid by the applicable Fund in connection with the receipt of the applicable Fund's share of such fees. The amount and nature of this reduction varies from Fund to Fund and is set forth in the Governing Documents of the applicable Fund. Entities other than Funds that participate in

investments alongside the Funds (such as entities through which the Adviser and certain employees and affiliates of the Adviser invest alongside the Funds) potentially will have on occasion a right to share in such fees, and Advisory Fees will generally not be reduced in connection with the receipt of such entities' share of such fees.

Given the collaborative nature of the Adviser's business and the portfolio companies in which the Funds have invested, there are often situations where the Adviser is in the position of recommending portfolio company services to other portfolio companies or to the Funds. The Adviser faces a potential 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 Funds, while the products or services recommended may not necessarily be the best available to the portfolio companies held by the Funds or the Funds themselves.

The Adviser has a potential incentive to recommend the products or services of certain investors in the Funds, certain Third Parties, certain persons or entities in which current or former Adviser personnel have a relationship or otherwise derive benefit, 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. Because certain expenses are paid for by a Fund and/or its portfolio companies or, if incurred by the Adviser, are reimbursed by a Fund and/or its portfolio companies, the Adviser will not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses.

Portfolio companies controlled by a Fund in certain cases will potentially provide services to certain Fund investors. The Adviser has a potential incentive to cause the portfolio company to favor those investors relative to other portfolio company clients or customers in terms of pricing or otherwise, which have the potential to adversely affect the portfolio company's profitability to the Fund. Additionally, the portfolio company could recommend to its clients or customers that they invest in a Fund.

The Advisers and/or its affiliates reserve the right 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).

The Adviser has relationships with financial institutions, service providers and other market participants, including for example, investment bankers, outside legal counsel, pension consultants, lenders and placement agents, certain of whom possibly are investors in Funds and/or providers of services to the Adviser or businesses that are competitors of the Adviser. The Adviser expects to be subject to a potential conflict of interest with the Funds in recommending the retention or continuation of a service provider to the Funds or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider will continue to invest in Funds or will provide the Adviser information about markets and industries in which the Adviser operates or is interested or will provide other services that are beneficial to the Adviser or one or more Funds, including, without limitation, more favorable

placement agent or borrowing terms. There is a possibility that the Adviser, because of such belief or for other reasons, would favor such retention or continuation even if a better price and/or quality of service could be obtained from another person.

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 general partner of a Fund reserves the right from time to time to utilize the services of investors and their affiliates on an arm's length basis, as it determines appropriate in its discretion.

### *Positions with Portfolio Companies*

Certain employees of the Adviser are likely to serve as directors of portfolio companies. Such employees are required to remit any remuneration they receive as directors to the applicable Funds and generally some or all of such amounts offset the Advisory Fee payable by the applicable Fund, as described in the applicable Governing Documents of the Fund. In addition, employees of the Adviser potentially could leave the employment of the Adviser or its affiliates and become an officer or employee of a portfolio company. Employees and consultants retained by the Adviser to provide services to portfolio companies are permitted to receive consulting, management or other fees personally from portfolio companies. Additionally, the Adviser reserves the right to employ personnel with pre-existing ownership interests in portfolio companies owned by the Funds or other investment vehicles advised by the Adviser and/or its affiliates.

Without limiting the foregoing, portfolio companies (and, to a lesser extent, the Funds) typically pay certain fees to Operating Partners and other consultants (including consultants introduced or arranged by the Adviser that regularly provide services to one or more portfolio companies), and such fees do not offset or reduce the Advisory Fee as described herein. Operating Partners occasionally receive investment opportunities, reimbursements and other compensation that do not offset the Advisory Fee of any Fund, as described herein. Although the use of Operating Partners and the allocation of compensation paid to them by the Adviser and/or the portfolio companies subjects the Adviser to potential conflicts of interest, the Adviser believes that such potential conflicts may be reduced by the anticipated cost savings to portfolio companies (which is expected to be to the benefit of the applicable Fund(s)) that will result if the cost of the Operating Partner is lower than market rates for the services provided and/or if the services of the Operating Partner align with the Adviser's model for the portfolio company and improve portfolio company performance. Although the Adviser seeks to retain Operating Partners with a view to reducing costs to portfolio companies (and, ultimately, the Funds) and/or improving portfolio company performance, a number of factors may result in limited or no cost savings from such retention. The Adviser also intends to retain only Operating Partners that it believes provide a level of service at a value generally consistent with other relevant market alternatives. However, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

In certain circumstances, current or former Adviser personnel are expected to serve in interim or part-time roles at a portfolio company, or provide services to a portfolio company as a secondee or in similar capacities, whether or not while maintaining certain legacy economic arrangements,

benefits, support services or indicia of employment at the Adviser. Under such arrangements, the Adviser and/or the relevant portfolio company may pay all or a portion of the personnel costs of such employee, or supervise or oversee such employee, although any amounts paid by the portfolio company are typically treated as fees for Related Services and subject to offset in the manner specified by the applicable Governing Documents. These arrangements have the potential to create conflicts of interest. Due to the nature of secondees relationships, which are often initiated to meet a temporary portfolio company need, the arrangements between such employees and the related portfolio company are expected to change over time, and in many cases will be terminated when the portfolio company is sold or when the position can be filled on a longer-term or permanent basis. Employees may or may not return to the Adviser at the end of such secondees arrangement.

#### *Diverse Membership*

The investors in the Funds are expected to include U.S. taxable and tax-exempt entities, individuals, and institutions from jurisdictions outside of the United States. Such investors will potentially have conflicting investment, tax, and other interests with respect to their investments in a Fund. The conflicting interests among the investors may 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 will potentially arise in connection with decisions made by the Adviser or its affiliates, including with respect to the nature or structuring of investments, that would be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. 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.

#### *Side Letter Agreements*

In accordance with common industry practice, the Adviser, a Fund or a general partner reserve the right to enter into one or more "side letters" or similar agreements with certain limited partners pursuant to which the Adviser, the Fund or such general partner grants to such limited partners specific rights, benefits or privileges that are not made available to limited partners generally, including, for example, the right to be excused from participating in certain investments under certain circumstances. Such agreements will be disclosed only to those actual or potential investors that have separately negotiated with such Fund or such general partner for the right to review such agreements and as a general matter, the other investors have no recourse against a Fund or the Adviser in the event that certain investors have received additional and/or different rights and/or terms as a result of such side letters.

#### *Borrowings*

The partnership agreements (or analogous organizational documents) of certain Funds permit each such Fund's General Partner, or its affiliates, to lend money to the applicable Fund. Such lending arrangements create conflicts of interest between the applicable General Partner or affiliate and the Fund acting as borrower.

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

If a Fund enters into any indebtedness with another Fund on a joint and several basis, the applicable General Partner is expected to enter into one or more agreements that provide each Fund with a right of contribution, subrogation or reimbursement. In administering, or seeking to reinforce, these agreements, the Adviser expects to be subject to potential conflicts of interest, for example between a Fund with a reimbursement obligation and a Fund seeking reimbursement. In certain circumstances Funds are expected to be prohibited from exercising (or the Adviser may deem it appropriate to refrain from exercising) voting or other rights in order to mitigate the relevant potential conflicts, notwithstanding the fact that the investment(s) of one Fund or the other may be subject to creditor claims regarding subordination of interests. The Adviser intends to mitigate any potential conflicts by structuring such agreement in a manner intended to cause each Fund to bear its proportionate share of the applicable indebtedness.

The Adviser will effect such borrowings in a manner it believes to be fair and equitable under the circumstances over time to the relevant Fund, and consistent with the Adviser's obligations to the Fund under the Governing Documents.

#### *Other Potential Conflicts*

The Adviser and the Funds will generally engage common legal counsel and other advisers in a particular transaction, including a transaction in which there are potential conflicts of interest. Members of the law firms engaged to represent the Funds may be investors in a Fund, and in certain cases 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 would be permitted to engage separate counsel in the sole discretion of the

Adviser and its affiliates, and in litigation and other circumstances separate representation will potentially be required.

The Adviser reserves the right, in its discretion, to have, and to 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. The Funds and/or their portfolio companies are likely to bear, directly or indirectly, the costs of such dealings, arrangements or agreements. In such circumstances, there is a potential conflict of interest between the Adviser and the Funds (or their portfolio companies) in determining whether to engage in or to continue such dealings, arrangements or agreements, including the possibility that the Adviser would favor the engagement or continued engagement of such persons even if a better price and/or quality of service could be obtained from another person.

The Adviser has instituted a program under which portfolio companies owned by the Funds are required to participate in certain insurance policy purchasing arrangements with the Adviser and other portfolio companies. Program participants expect to receive discounts on such policies negotiated with service providers on a groupwide basis. Participants participate in the program without cost. The Adviser also participates in the program, and receives similar benefits and discounts as the portfolio companies participating therein. No such amounts will result in additional offsets to the Advisory Fee. The Adviser believes the potential for conflicts relating to such arrangements is mitigated by the anticipated cost savings to portfolio companies (which is expected to be to the benefit of the applicable Fund(s)) that will result if the negotiated rate is discounted relative to those widely available in the market.

The partnership agreements (or analogous organizational documents) of certain Funds permit each such Fund's General Partner to withhold information from certain limited partners or investors in such Fund in certain circumstances. For instance, the General Partner reserves the right to withhold information from limited partners that are subject to Freedom of Information Act or similar requirements. The General Partner reserves the right to elect to withhold certain information to such limited partners for various reasons, despite the potential benefits to such limited partners of receiving such information.

The Adviser and its affiliated persons may come into possession, from time to time, of material non-public or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, the Adviser and its affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of the Adviser.

Accordingly, should the Adviser or any of its affiliated persons come into possession of material non-public or other confidential information with respect to public and non-public company, the Adviser generally would be prohibited from communicating such information to clients, and the Adviser will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of Adviser personnel serving as directors of public companies and may restrict trading on behalf of clients, including 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**

As the Funds invest primarily in private equity ventures, the Adviser anticipates that investments in publicly traded securities will be infrequent occurrences (e.g., money market instruments pending investment in a portfolio company, securities held as a result of initial public offerings of portfolio companies, going-private transactions, etc.). However, to meet its fiduciary duties to the Funds, the Adviser has adopted written policies to address issues that might arise with respect to purchasing, holding, and selling publicly traded securities.

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

For each of the Funds, the Adviser has, subject to the direction of such Fund’s general partner, if applicable, sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker or dealer, if any, to be used to effect transactions. In placing each transaction for a Fund involving a broker-dealer, the Adviser will seek “best execution” of the transaction. “Best execution” means obtaining for a Fund account the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances of the transaction and the reputability and reliability of the executing broker or dealer.

In determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, the Adviser’s Chief Compliance Officer (“CCO”) takes into account all factors that it deems relevant to the broker’s or dealer’s execution capability, including, by way of illustration, price, the size of the transaction, the nature of the market for the security, the amount of the commission, the timing of the transaction taking into account market prices and trends, the reputation, experience and financial stability of the broker or dealer, and the quality of service rendered by the broker or dealer in other transactions. In the Adviser’s private company securities transactions on behalf of the Funds, the Adviser will consider similar factors in selecting a broker-dealer or investment bank (to the extent the Adviser believes hiring a broker-dealer or investment bank is appropriate); however, the market for such services involves more subjective evaluations than public securities brokerage transactions, and the Adviser reserves the right to cause the Funds to not pay the lowest commission or fee for such services.

In order to monitor best execution, the Adviser’s CCO will periodically monitor broker-dealers to assess the quality of execution of brokerage transactions effected on behalf of the Adviser and each Fund.

To the extent consistent with achieving best execution, the Adviser reserves the right to also consider other business a particular broker or dealer has done or is expected to do with the Adviser, such as identifying investment opportunities, performing investment banking services

and providing services to the Adviser's principals. The Adviser does not receive "soft dollars" in connection with its use of broker-dealers.

### **Aggregation of Trades**

The Adviser does not anticipate engaging in significant public securities transactions; however, to the extent the Adviser does so, it may aggregate (or bunch) the orders of more than one Fund for the purchase or sale of the same publicly traded security so that each participating Fund will receive the average price for each execution of a transaction.

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

### **Oversight and Monitoring**

The investment portfolios of the Funds are generally private, illiquid and long-term in nature, and accordingly the Adviser's review of them is not directed toward a short-term decision to dispose of securities. However, the Adviser closely monitors the portfolio companies of the Funds. The portfolios are reviewed by a team of investment professionals on an on-going basis. The team generally includes managing members and other investment professionals of the Adviser.

### **Reporting**

Investors in the Funds typically receive, among other things, a copy of audited financial statements of the relevant Fund, as well as quarterly performance reports after each fiscal quarter end. The Adviser and the applicable General Partner, if any, may from time to time, in their 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 (e.g., Fund portfolio companies), 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 reserves the right from time to time to engage one or more persons to act as a placement agent for a Fund in connection with the offer and sale of interests to certain potential investors. Such persons generally will receive a fee in an amount equal to a percentage of the capital commitments for interests made by such potential investors to such Fund that are subsequently accepted. Such Fund, subject to any limitations set forth in its partnership agreement or other organizational documents, generally pays such placement agent fees and expenses. Advisory Fees received by the Adviser are generally reduced by the amount of such fees and expenses paid by the Fund.

The Adviser has retained M2O Private Fund Advisors LLC ("M2O") to serve as the placement agent for a Fund. In exchange for placement services, which include reviewing the Fund's



offering materials and introducing prospective investors, M2O receives a fee based upon such Fund's final commitments, in addition to reimbursement of certain expenses.

### **Item 15. Custody**

The Adviser does not serve as the qualified custodian of any of the assets owned by the Funds and does not maintain physical custody of any securities or cash owned by the Funds, except for certain "private offered securities" as such term is defined in Rule 206(4)-2 of the Advisers Act and interpreted by the SEC. However, in connection with the services the Adviser provides to the Funds, the Adviser or the respective general partners of the Funds have investment discretion with respect to the Funds' investments. As a result of such discretion, the Adviser or the general partners of the Funds are deemed by the applicable regulatory rules to have constructive custody of the assets of each Fund for purposes of the custody rule of the Advisers Act. The Adviser satisfies the applicable regulatory requirements related to custody by, among other things, ensuring that each Fund is subject to an annual audit by an independent accounting firm that is registered and examined by the Public Company Accounting Oversight Board, and audited financial statements for each Fund are delivered to the investors in the Funds within the applicable required time frame. Actual custody of Fund assets are held with the following qualified custodians: Comerica Bank, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Silicon Valley Bank and Wells Fargo Bank, NA.

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

Investment advice is provided directly to the Funds on a largely discretionary basis and not individually to the investors in the Funds. Services are provided to the Funds in accordance with the Advisory Agreements with the Funds or their respective general partners and the organizational documents of the applicable Fund. Investment restrictions for the Funds, if any, are generally established in the organizational or offering documents of the applicable Fund and generally involve certain diversification requirements, geographic limitations or requirements pertaining to structuring investments to address certain tax consequences to one or more investors in a particular Fund. Additionally, pursuant to the terms of the Governing Documents of the applicable Fund, however, the Adviser has entered into side letter agreements with certain limited partners whereby the terms applicable to such limited partner's investment in a Fund are often altered or varied, with such terms potentially including the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons.

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

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

It is the Adviser's general policy to vote or give consent on all matters presented to security holders in any Vote. However, the Adviser reserves the right to abstain on any particular Vote or otherwise withhold its vote or consent on any matter if, in the judgment of the Adviser's internal investment committee, 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 for a voting decision. In most cases, the investment professional having primary responsibility for the particular investment in consultation with the Adviser's investment committee will make the decision as to the appropriate vote for any particular Vote.

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

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: Lance Ruud at lruud@dwhp.com.

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

Item 18 is not applicable to the Adviser.

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

Item 19 is not applicable to the Adviser.