

**Item 1 – Cover Page**

**Blue Water Advisors LP**  
**Form ADV Part 2A Brochure**  
**1 North Federal Highway, Suite 300**  
**Boca Raton, FL 33432**  
**(561) 282-0770**

**March 30, 2020**

This Brochure provides information about the qualifications and business practices of Blue Water Advisors LP (the “Advisor”). If you have any questions about the contents of this Brochure, please contact us at the telephone listed above. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about the Advisor is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

As used in this Brochure, (i) unless otherwise stated or the context requires, references to “we,” “us,” “our,” and similar references refer collectively to the Advisor.

## **Item 2 – Material Changes**

This Brochure has been updated since our last annual updating amendment on March 31, 2019 to reflect a change of business address in Item 1.

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#### **Item 4 – Advisory Business**

The Advisor is a Delaware limited partnership that was formed on May 11, 2017 and is principally owned by Benjamin Griswold and William Whitridge. The general partner of the Advisor is Blue Water GP LLC (the “Upper GP”), a Delaware limited liability company, the sole member of which is BWW Group LLC, a Delaware limited liability company. The Upper GP also serves as general partner of the General Partner (defined below) and as the sole member of the Manager (defined below).

The Advisor provides investment advisory services on a discretionary basis to clients that are pooled investment vehicles which will not be registered as investment companies under the Investment Company Act of 1940, as amended (the “Company Act”) and the securities of which will be offered and sold in reliance upon an exemption from registration under the Securities Act of 1933, as amended (the “Securities Act”). As of the date of this Brochure, the Advisor provides investment advisory services to Blue Water Aggregates Fund LP (the “Aggregates Fund”), Blue Water Worldwide LLC (the “Worldwide Fund”) and Blue Water Real Estate Fund I LP (the “Real Estate Fund”) (each a “Fund” and, collectively, the “Funds”). Blue Water Aggregates GP LP, a Delaware limited partnership and an affiliate of the Advisor, serves as the general partner of the Aggregates Fund. Blue Water Worldwide Manager LLC, a Delaware limited liability company and an affiliate of the Advisor, serves as the manager of the Worldwide Fund. Blue Water Real Estate GP I LP, a Delaware limited partnership and an affiliate of the Advisor, serves as the general partner of the Real Estate Fund. The general partners and manager will be referred to collectively herein as the “Fund Managers.” Each Fund’s investment objectives and/or parameters are set forth in the respective governing documents (the “Fund Offering Documents”) provided to each investor in such Fund (each, an “Investor”). The Advisor will tailor the advisory services for each Fund based on each Fund’s investment objective and investment strategy, including guidelines regarding the types of securities it will invest in and portfolio limits (if any), and does not tailor advisory services to the Investors.

As of January 31, 2020, the Advisor managed approximately \$906,677,582 on a discretionary basis. The Advisor does not manage any assets on a non-discretionary basis.

#### **Item 5 – Fees and Compensation**

All Investors and prospective Investors in the Funds should review the relevant Fund Offering Documents in conjunction with this Brochure for further information regarding fees and compensation or expenses and the following is subject in its entirety to the information provided in such Fund Offering Documents.

With respect to the Aggregates Fund, the Advisor will generally be paid a management fee by the Aggregates Fund quarterly in advance. The fee percentage and/or the base upon which the fee is calculated may vary over the life of the Aggregates Fund, as set forth in the Aggregates Fund's Fund Offering Documents. Management fees and performance-based compensation may, in the sole discretion of the General Partner, be waived, reduced or calculated differently with respect to certain participants in the Aggregates Fund, including investments in the Aggregates Fund by the Advisor and/or its related persons.

With respect to the Worldwide Fund, the Advisor will generally be paid an advisory fee by the Worldwide Fund in a flat amount payable quarterly in advance, as set forth in the Worldwide Fund's Fund Offering Documents. The Advisor may, in its sole and absolute discretion, defer the advisory fee payable in any period and recoup the deferred portion in any subsequent period. Advisory fees and performance-based compensation may, in the sole discretion of the Manager, be waived, rebated or reimbursed with respect to certain participants in the Worldwide Fund (and, in such cases, the advisory fee shall be adjusted correspondingly), including investments in the Fund by the Advisor and/or its current and former related persons.

With respect to the Real Estate Fund, the Advisor will generally be paid a management fee (together with the management fee of the Aggregates Fund and the advisory fee of the Worldwide Fund described above, the "Fund Fees") by the Real Estate Fund quarterly in advance. The fee percentage and/or the base upon which the fee is calculated may vary over the life of the Real Estate Fund, as set forth in the Fund Offering Documents. Management fees and performance-based compensation may, in the sole discretion of the General Partner, be waived, reduced or calculated differently with respect to certain participants in the Real Estate Fund, including investments in the Real Estate Fund by the Advisor and/or its related persons.

To the extent permitted by the applicable Fund Offering Documents, it is expected that each Fund will bear expenses relating to the organization of such Fund, its Fund Manager, the Upper GP, the Advisor and each of their respective general partners or managing members, and the marketing and offering of the interests in such Fund (including, without limitation, any legal, accounting, filing and tax advice expenses and travel, which may include the use of charter flights, and accommodation expenses of employees of the Advisor and/or its affiliates) (collectively "Organizational Expenses").

The Advisor and/or its affiliates may earn investment banking fees, consulting or management fees, monitoring fees, break-up fees, transaction fees and other similar fees in connection with the purchase, monitoring or disposition of investments or from unconsummated transactions. One hundred percent (100%) of the Aggregates Fund's share of any investment banking fees, consulting or management fees, monitoring fees, break-up fees or transaction fees paid to the Advisor and/or its affiliates by a portfolio entity will be applied, net of applicable expenses (without duplication), to reduce (but not below zero) any

future Fund Fees payable by the Aggregates Fund to the Advisor. None of such fees will be applied to reduce the Fund Fees payable by the Worldwide Fund or otherwise be shared with the Worldwide Fund, its Investors and/or the portfolio companies. Similarly, in the event any such fees are paid to the Advisor and/or its affiliates in connection with a transaction that is not ultimately consummated, co-investment vehicles that invest alongside a Fund will generally not be allocated any share of such fees. Except as set forth above with respect to the Aggregates Fund, Investors will not receive the benefit of fees or other compensation received by the Advisor and/or its affiliates in connection with the provision of services by them to the Funds or third parties. Fund Fees will not be reduced by agency fees (for loans or otherwise) or other similar fees typically paid to third-parties (as determined by the applicable Fund Manager) for similar services related to investments received by the Advisor or its affiliates or otherwise provided in the Fund Offering Documents.

The Advisor, its affiliates and their respective personnel can be expected to receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of the Funds which will not be subject to any Fund Fee offset or otherwise shared with the Funds, the Investors and/or the portfolio companies. For example, airline travel or hotel stays incurred as expenses of a Fund typically result in “miles” or “points” or credit in loyalty/status programs, and such benefits and/or amounts will, whether or not de minimis or difficult to value, inure exclusively to such entities and/or such personnel (and not the Funds, the Investors and/or the portfolio companies) even though the cost of the underlying service is borne by the Funds and/or the portfolio companies.

Each Fund will bear all expenses of operating such Fund and its Fund Manager, including, without limitation, where applicable and as set forth in the relevant Fund Offering Documents, fees, costs and expenses directly related to the purchasing, holding, disposing of, financing, hedging, developing, negotiating, structuring, trading, settling and monitoring of investments or otherwise facilitating the Fund’s investment activities (including, without limitation, any brokerage, custody or transaction fees and travel, which may include the use of charter flights and related expenses in connection with the Fund’s investment activities), fees costs and expenses of third-party valuation service providers and otherwise incurred in connection with the valuation of the Fund’s investments, expenses of counsel, accountants, administrators, tax advisors, operating partners, consultants, depositaries and other advisors and professionals, expenses relating to compliance-related matters and regulatory filings relating to the Fund’s activities (including, without limitation, expenses relating to the preparation and filing of Form PF, reports to be filed in connection with the requirements of the U.S. Commodity Futures Trading Commission and reports, disclosures, filings and notifications prepared, and service providers appointed, in connection with the laws, rules, regulations or similar requirements of jurisdictions in which the Fund engages in activities (or in which any prospective Investor is resident or established), including any notices, reports, and/or filings (including those in connection with the offering of interests) in accordance with the Directive 2011/61/EU of the European Parliament and of the Council

on Alternative Investment Fund Managers and/or other regulatory filings of the Fund Manager and/or its affiliates relating to the Fund and its activities), reporting related expenses (including other notices and communications), including preparation of financial statements, tax returns, K-1s and other communications or notices relating to the Fund, expenses associated with the Fund's research and technology costs (including market data research and news and quotation equipment and services), expenses relating to the annual meetings of the Fund, expenses of any committees of Investors or their representatives, expenses incurred in connection with complying with provisions in Investor side letter agreements related to the Fund (including "most-favored nations" provisions), any insurance costs and expenses (including insurance premiums of any director and officer liability or other insurance, including the insurance of which the Advisor and/or its affiliates are or may be beneficiaries), any indemnity, litigation or other extraordinary expenses, any fees, costs and expenses of any custodians, lenders, investment banks and other financing sources (including interest and other expenses incurred in respect of Fund borrowings and guarantees), any taxes, fees or other governmental charges levied against the Fund, its affiliates and/or their investment vehicles, and, to the extent not reimbursed by a third party, any of the foregoing costs incurred in connection with proposed transactions which are not consummated, including legal, tax, accounting, travel, which may include the use of charter flights, and related expenses and any liquidated damages, reverse termination fees or similar payments (Broken-Deal Expenses). Co-investment vehicles that invest (or propose to invest) alongside a Fund generally do not bear their share of Broken-Deal Expenses (such as reverse termination fees, extraordinary expenses such as litigation costs and judgments and other expenses) for unconsummated transactions. Such broken-deal expenses will generally be borne by the applicable Fund.

The Fund Managers and the Advisor will be responsible for all of their routine administrative expenses, including salaries, employee benefits and office space, unless expressly provided for in the Fund Offering Documents.

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

As further described in Item 10, the Fund Offering Documents provide for performance-based compensation (which includes the "carried interest" payable by the Aggregates Fund and Real Estate Fund and the "management interest" payable by the Worldwide Fund). Such performance-based compensation may, be waived, reduced or calculated differently with respect to certain participants in the Funds, including investments in the Funds by the Advisor and/or its related persons. Performance-based compensation creates an incentive to recommend and make riskier or more speculative investments on behalf of the Funds than would be the case in the absence of this arrangement. Additionally, as discussed further in Item 10, the Funds have different fee arrangements and the Advisor and its related persons have different interest in such Funds which creates potential conflicts of interest in that the

Advisor may have an incentive to favor accounts in which the Advisor or its related persons have greater potential for financial gain.

## **Item 7 – Types of Clients**

The Advisor will provide investment advice to the Funds. Each Fund's Investors will generally consist of accredited investors (as defined in Regulation D promulgated under the Securities Act) and qualified purchasers (as defined under the Company Act).

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

### **Investment Strategies & Methods of Analysis**

The Advisor's management team (the "Management Team") is comprised of a group of individuals with significant experience in acquiring, developing, and operating real asset-based businesses. The Management Team has built an extensive network to source acquisition opportunities and manage the Funds' investment portfolios.

The Advisor holds regular pipeline calls with its network of managers, operators and other parties to discuss preliminary deal flow. During these calls, basic description, investment metrics and criteria are discussed to evaluate the investment opportunity in light of the Funds' investment strategies and objectives. The Advisor will conduct fundamental analysis and consider relevant market dynamics, pricing dynamics, competitive landscape, and operational overview of the target, among other criteria.

Upon execution of a contract for exclusivity, a formal due diligence period commences. The Management Team has significant experience conducting due diligence and developing underwriting models that address the primary drivers of returns and risks based on conservative assumptions. Additionally, the Advisor engages expert third-party consultants and advisors when deemed appropriate.

If an opportunity reaches the stage where the team proposes to make a definitive bid or proceed with a material new project, a detailed memorandum will be prepared and presented to the investment committee, for in-depth discussion. The investment committee may conduct multiple meetings on a particular opportunity. Consensus is generally required to proceed with the opportunity. Discussions with the investment committee also define deal tactics, underwriting assumptions, and value-creation opportunities.



## **Risk of Loss**

### **Risks Generally**

The potential risks presented by the investment strategies pursued by the Advisor include, but are not limited to, those summarized below. The below is qualified in its entirety by, and additional information is contained in, the respective Fund Offering Documents. Investing in securities involves risk of loss that Investors should be prepared to bear. Investors should refer to the relevant Fund Offering Documents for a description of the various risks faced by the Funds in executing their investment strategies.

### **The Funds**

The Funds involve a high degree of risk, and are suitable only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of an investment in the Funds and for which the Funds do not represent a complete investment program. There can be no assurance that the Funds' investment objectives will be achieved, that the Funds will otherwise be able to carry out their investment programs successfully, or that an Investor will receive a return of its capital. In addition, there will be occasions when, the Advisor, the Fund Managers and their respective affiliates encounter potential conflicts of interest in connection with the Funds.

### **No Assurance of Investment Return**

The Advisor and/or its affiliates cannot provide any assurance whatsoever that the Funds will be able to choose, make and realize investments in any particular companies or portfolios of companies. There can be no assurance that the Funds will be able to generate returns for their investors or that the returns will be commensurate with the risks of investing in the type of companies and transactions described herein or in the Fund Offering Documents. There can be no assurance that any Investor will receive any distribution from the Funds. Partial or complete sales, transfers or other dispositions of investments which may result in a return of capital or the realization of gains, if any, are generally not expected to occur for a number of years after an investment is made. Accordingly, an investment in a Fund should only be considered by persons for whom a speculative, illiquid and long-term investment is an appropriate component of a larger investment program and who can afford a loss of their entire investment. Past activities provide no assurance of future success. Past performance is not a guarantee, projection or prediction and is not necessarily indicative of future results. There can be no assurance that the Funds will be able to implement their investment strategies or achieve their investment objectives.

### **Role of the Advisor and its Professionals**

Investors in the Funds are placing their entire investments in the discretion of, and are dependent upon the skill and experience of the Advisor. Furthermore, the Investors will be

relying on the ability of the Advisor and/or its affiliates to select the investments to be made using the capital available to the Funds. The success of the Funds will depend in part upon the Advisor's ability to attract and retain talented professionals, the skill and expertise of the Advisor's investment professionals and, as more fully discussed below, the management of investments. The interests of certain of these professionals in the Fund Managers and/or the Funds should tend to discourage them from withdrawing from participation in the Funds' investment activities. However, there can be no assurance that such professionals will continue to be associated with the Advisor throughout the life of the Funds and a loss of the services of key personnel could impair the Advisor's ability to provide services to the Funds. Should one or more of these professionals become incapacitated or in some other way cease to participate in the Funds, the Funds' performance could be adversely affected. There is ever-increasing competition among alternative asset firms, financial institutions, private equity firms, investment managers and other industry participants for hiring and retaining qualified investment professionals. There can be no assurance that the Advisor's personnel will not be solicited by and join competitors or other firms and/or that the Advisor will be able to hire and retain any new personnel that it seeks to maintain or add to its roster of investment professionals. In addition, members of the investment team or investment committee of the Advisor will work on other projects. Conflicts of interest may arise in allocating management time, services or functions of the Advisor, the Fund Managers and their respective affiliates.

#### Illiquid and Long-Term Investments

An investment in the Funds should be viewed as an illiquid investment. It is uncertain as to when profits, if any, will be realized. It is anticipated that there will be a significant period of time before certain of the Funds will have completed their investments. Many of such investments are not likely to be liquidated for a number of years after the initial investment. Factors such as overall economic conditions, the competitive environment and the availability of potential acquirers may shorten or lengthen the holding period for any particular investments by the Funds. A Fund's ability to realize an investment can be dependent on the public equity markets (e.g., demand for new public offerings and security sales) and investments in publicly traded securities are subject to restrictions under relevant securities laws (e.g., Section 16 of the Securities Exchange Act of 1934).

#### Limited Number of Investments

The Funds expect to participate in a limited number of investments and, as a consequence, the aggregate return of the Funds may be substantially adversely affected by the unfavorable performance of even a single investment. In addition, Investors have no assurance as to the degree of diversification of the Funds' investments. To the extent the Funds concentrate investments in a particular issuer, property, industry sub-sector, security or geographic region, their investments will become more susceptible to fluctuations in value resulting from adverse economic and/or business conditions with respect thereto. Moreover, there

are no assurances that all of the Funds' investments will perform well or even return capital. As a consequence, the aggregate return of the Funds may be adversely affected by the unfavorable performance of one or a small number of investments. Therefore, if certain investments perform unfavorably, for the Funds to achieve above-average returns, one or a few of their investments must perform exceptionally well. There are no assurances that this will be the case.

#### Use of Leverage

The Funds' investments may include companies whose capital structures have significant leverage. The leveraged capital structure of such investments involves a higher degree of risk and increases the investment's exposure to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the investment, as further described below. Borrowings by the Funds will further diminish returns (or increase losses on capital) to the extent overall returns are less than the Funds' cost of funds and the Funds may withhold from distributions to repay such borrowings. As a general matter, the presence of leverage can accelerate losses.

#### Uncertainty of Financial Projections

The Fund Managers will generally establish the pricing of transactions and the capital structure of investments on the basis of financial projections for such investments. Projections, target returns, forecasts and estimates are inherently uncertain and are subject to numerous business, industry, market, regulatory, competitive and financial risks that are outside of the Fund Managers' or their respective affiliates' control. Estimated operating results will typically be based primarily on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the assumptions will be accurate or that the estimated results will be obtained, and actual results may vary significantly from the projections. General economic, political and market conditions, which are difficult to predict, can have a material adverse impact on the reliability of such projections. Other participants in the industry may disagree with the feasibility of projections and potential investors should make their own determinations about the prospects for the Funds.

#### Confidential or Material Non-Public Information

By reason of their responsibilities in connection with other activities of the Advisor and/or its affiliates, certain employees may acquire confidential or material non-public information or be restricted from initiating transactions. The Funds will generally not be free to act upon any such information. Due to these restrictions, the Funds may not be able to initiate a transaction that they otherwise might have initiated.

### Investments in Less Established Companies

The Funds may invest a portion of their assets in the securities of less established companies and family-owned companies. Investments in such early-stage or family-owned companies may involve greater risks than are generally associated with investments in more established companies. To the extent there is any public market for the securities held by the Funds, such securities may be subject to more abrupt and erratic market price movements than those of larger, more established companies. Less established companies and family-owned companies tend to have lower capitalizations and fewer resources, and therefore, are often more vulnerable to financial failure. Such companies also may have shorter operating histories on which to judge future performance and in many cases, if operating, will have negative cash flow. In addition, less mature and family-owned companies could be deemed to be more susceptible to irregular accounting or other fraudulent practices.

### Additional Capital; Requirements of Portfolio Companies

Certain of the Funds' investments, especially those in a development or "platform" phase, may be expected to require additional financing to satisfy their working capital requirements or acquisition or development strategies. The amount of such additional financing needed will depend upon the maturity and objectives of the particular portfolio company. Each such round of financing (whether from the Funds or other investors) is typically intended to provide a portfolio company with enough capital to reach the next major corporate milestone. If the funds provided are not sufficient, a company may have to raise additional capital at a price unfavorable to the existing investors, including the Funds. In addition, the Funds may make additional debt and equity investments or exercise warrants, options or convertible securities that were acquired in the initial investment in such company in order to preserve the Funds' proportionate ownership when a subsequent financing is planned, or to protect the Funds' investment when such investment's performance does not meet expectations. To the extent a portfolio company in which the Funds have invested receives additional funding in subsequent financings and the Funds do not participate in such additional financing rounds, the interests of the Funds in such portfolio company would be diluted. The availability of capital is generally a function of market conditions that are beyond the control of the Funds or any portfolio company. There can be no assurance that the portfolio companies will be able to predict accurately the future capital requirements necessary for success or that additional funds will be available from any source. In the case of investments involving a "platform company," the Funds may enter into an arrangement with one or more individuals (who may have experience or capability in sourcing and/or managing investments) to undertake a build-up, acquisition and/or development strategy. The counterpart individuals may be compensated with a salary, equity incentive plan and/or other arrangements. In such circumstances, typically the Funds would initially invest capital to fund a portion of the overhead (including rent, salary or retainers for the counterpart individuals) and sourcing costs for initial investments by the platform. Although the Fund

Managers and their respective affiliates are generally responsible under the Fund Offering Documents for certain overhead expenses and compensation costs of investment professionals, the Funds (and indirectly Investors, and not solely the Fund Managers and their respective affiliates) will bear the cost of overhead and the sourcing of investments, as well as compensation for the related counterparties, for any such platform companies.

#### Due Diligence of and Conduct at Portfolio Companies

Before making investments, the Fund Managers and/or the Advisor will typically conduct due diligence that they deem reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence will entail evaluation of important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties will from time to time be involved in the due diligence process to varying degrees depending on the type of investment. Such involvement of third-party advisors or consultants may present a number of risks primarily relating to the Fund Managers' reduced control of the functions that are outsourced. In addition, if the Fund Managers and/or the Advisor are unable to timely engage third-party providers, their ability to evaluate and acquire more complex targets could be adversely affected. When conducting due diligence and making an assessment regarding an investment, the Fund Managers and/or the Advisor will rely on the resources available to it, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that a Fund Manager and/or the Advisor carries out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful. There can be no assurance that attempts to provide downside protection with respect to investments, including pursuant to risk management procedures and environmental, social and governance guidelines that may be considered in connection with the due diligence of any investment opportunity, will achieve their desired effect and potential investors should regard an investment in the Funds as being speculative and having a high degree of risk.

#### Non-Controlling Investments; Investments with Third Parties

The Funds may also hold a non-controlling interest in certain investments and, therefore, may have a limited ability to protect its position in such investments, although as a condition of investment, it is expected that appropriate rights generally will be sought to protect the Funds' interests. There can be no assurance that such rights will be available or that such rights will provide sufficient protection of the Funds' rights. In such cases, the Funds will typically be significantly reliant on the existing management, board of directors and other equity holders of such investments, who may not be affiliated with the Funds and whose interests may conflict with the interests of the Funds.

The Funds may co-invest with third parties through consortiums of private equity investors, funds, joint ventures or other similar arrangements, such as the Aggregates Fund's investment in Blue Water Industries Holdings LLC, a Delaware limited liability company (the "JV"), a joint venture which has made, and is expected to make, investments in the aggregates industry in the United States. Such investments will involve risks in connection with such third-party involvement, including the possibility that a third-party partner or co-venturer may have financial, legal or regulatory difficulties, resulting in a negative impact on such investment, may have economic or business interests or goals which are inconsistent with those of the Funds, may be in a position to take (or block) action in a manner contrary to the Funds' investment objectives (including, without limitation, the Funds' ability to dispose of an investment held through such joint venture), or the increased possibility of default by, diminished liquidity or insolvency of, the third party. In addition, the Funds may in certain circumstances be liable for the actions of their third-party partners or co-venturers. Furthermore, if a co-venturer defaults on its funding obligations, the Funds may be required to make up the shortfall. Investments made with third parties through consortiums of private equity investors, funds, joint ventures or other similar arrangements may involve incentive compensation and/or other fees payable to such third-party partners or co-venturer.

Furthermore, under a joint venture arrangement similar to the Aggregates Fund's investment in the JV, neither the Funds nor their co-venturer will be in a position to unilaterally control the joint venture, and deadlocks may occur. Such deadlocks could adversely impact the operations and profitability of the joint venture, including as a result of the inability of the joint venture to act quickly in connection with a potential acquisition or disposition. The terms of a joint venture arrangement may enable the Funds' coventurer to transfer its interests in such joint venture to a third party without the Funds', the Fund Managers' or their affiliates' consent, in which case the Funds could be joint venture partners with a third-party manager with respect to which it does not have a pre-existing relationship. In such situations, it could be significantly more difficult for the Funds to implement their investment objectives with respect to any of their investments held through such joint ventures.

The Funds' participation in investments in which a joint venture participates may be less than what the Funds' participation would have been had such other vehicle not participated, and because there may be no limit on the amount of capital that a co-venturer can invest, the degree of the Funds' participation in such investments may decrease over time.

#### Cyber Security Breaches and Identity Theft

Cyber security incidents and cyber-attacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. The Fund Managers', the Funds', the portfolio companies' and their respective service providers' information and technology systems may be vulnerable to damage or interruption from

computer viruses or other malicious code, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals or service providers, power, communications or other service outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. If unauthorized parties gain access to such information and technology systems, they may be able to steal, publish, delete or modify private and sensitive information. Although the Fund Managers have implemented, and portfolio companies and service providers may implement, various measures to manage risks relating to these types of events, such systems could prove to be inadequate and, if compromised, could become inoperable for extended periods of time, cease to function properly or fail to adequately secure private information. Breaches such as those involving covertly introduced malware, impersonation of authorized users and industrial or other espionage may not be identified even with sophisticated prevention and detection systems, potentially resulting in further harm and preventing it from being addressed appropriately. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Fund Managers', the Funds' and/or a portfolio company's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to Investors (and their beneficial owners) and the intellectual property and trade secrets of the Advisor, its affiliates, the Funds and/or the portfolio companies. The Advisor, its affiliates, the Funds and/or any portfolio company could be required to make a significant investment to remedy the effects of any such failures, which may harm their reputations, subject them and their respective affiliates to legal claims and adverse publicity and otherwise affect their business and financial performance.

#### Contingent Liabilities on Disposition of Investments

In connection with the disposition of an investment, the Funds may be required to make representations about the business and financial affairs of such company typical of those made in connection with the sale of a business. The Funds may also be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate or with respect to certain potential liabilities. These arrangements may result in the incurrence of contingent liabilities for which the Funds may establish reserves or escrows to fund the Funds' obligations, including indemnity obligations, subject to certain limitations set forth in the Fund Offering Documents. In addition, the Funds may sell investments in public offerings. Such offerings can give rise to liability if the disclosure relating to such sales proves to be inaccurate or incomplete.

#### Aggregates Investment Risks Generally

Investing in any sector or market involves various types of risk. While the aggregates sector may be characterized by its relatively stable cash flows resulting from its protected market position and high barriers to entry, increased competition for investments in the aggregates industry may lead the Aggregates Fund to invest in investment opportunities with higher

levels of risk. There can be no assurance that the Advisor and/or its affiliates will have the necessary experience to manage those risks (risk to cash flows) or that the Aggregates Fund will be adequately compensated for taking those risks (risk to valuation of cash flows). In addition, assets, businesses and projects in the aggregates sector may involve a significant impact on local communities and the surrounding environment. This could expose such investments and the Aggregates Fund to a variety of legal risks including, but not limited to, legal action from special interest groups, including legal action seeking to impede particular projects to which they are opposed.

#### Dependence on Construction Industry

Substantially all of the Aggregates Fund's returns, and a material portion of the Worldwide Fund's returns, will be derived, directly or indirectly, from the construction industry. Construction activity and spending levels vary across markets and are influenced by interest rates, inflation, consumer spending habits, demographic shifts, environmental laws and regulations, employment levels, and the availability of funds for public infrastructure projects. In addition, commercial and residential construction levels generally move with local and national economic cycles. Weakness in the U.S. or global economy could cause (i) commercial and residential construction to weaken, or (ii) local and federal governments to divest funds from infrastructure projects, in which case the returns of the Funds may be adversely affected. In addition, because portfolio companies' products will be used in the construction industry and its production and distribution facilities will be located outdoors, adverse weather, including periods of cold weather and heavy or sustained precipitation, would affect both its ability to produce and distribute its products and short-term demand for these products, because the work of its customers would also be hampered by weather.

#### Industry Growth and Competitive Risks

Certain industries, such as the construction aggregates industry, are highly fragmented with a large number of independent local producers in a number of key markets. In most markets, portfolio companies in these industries will also compete against large private and public companies, some of which are significantly vertically integrated. Therefore, there is intense competition in a number of markets in which the portfolio companies will operate. In addition, the expansion of a portfolio company's business may be dependent on the portfolio company's ability to acquire and successfully integrate existing businesses (e.g., business that own or control aggregates reserves). Increased competition and/or disruptions in the availability of financing could make it more difficult to consummate potential acquisitions, and there can be no assurances that a portfolio company will be able to successfully integrate these businesses with its existing operations. Significant competition could also lead to lower prices and lower sales volumes, negatively affecting the earnings and cash flows of the portfolio companies, and therefore the returns of the Funds. Moreover, with respect to aggregates investments, the competitive landscape is further exacerbated by the increasing use of recycled concrete and asphalt in a number of markets, particularly urban markets, as



a substitute for aggregates. The use of recycled concrete and asphalt mix could cause a significant reduction in the demand for aggregates. There can be no assurance that any or all such risks can be mitigated.

#### Production and Distribution Risks

In the production and distribution processes, a Fund's investments may be subject to a variety of technical and other unanticipated risks which could adversely affect operations of any portfolio company. It is expected that the Funds' portfolio companies will consume significant amounts of electricity, diesel fuel, liquid asphalt and/or other petroleum-based resources, the availability and pricing of which are subject to market forces that are beyond the Funds' control. In addition, the portfolio companies may experience mechanical breakdown, parts shortages, failures to perform according to design specifications, as well as inclement weather, including hurricanes, tornadoes and other weather events, which can negatively impact the production and distribution processes. Furthermore, because certain portfolio companies' products are distributed either by truck to local markets or by rail, barge or oceangoing vessel to remote markets, the costs of transporting the products could be negatively affected by factors outside of the Funds' control, including rail service interruptions or rate increases, tariffs, rising fuel costs, capacity constraints and weather conditions. In addition, because portfolio companies' products (e.g., construction aggregates) are often bulky and heavy, it is often difficult to transport efficiently and, as a result, the freight costs of transporting products can quickly surpass the production costs. Therefore, in the case of aggregates investments, except for geographic regions that do not possess commercially viable deposits of aggregates and are served by rail, barge or ship, the markets for the products tend to be localized around a portfolio company's quarry sites and are served by truck. New quarry sites often take years to develop; therefore, a portfolio company's ability to accurately forecast future demand is crucial to its strategic planning and new site development initiatives. Additionally, in a number of urban and suburban areas in which the portfolio companies may operate, it is increasingly difficult to permit new sites or expand existing sites due to community resistance. Therefore, the future success is dependent, in part, on a portfolio company's ability to accurately forecast future areas of high growth in order to locate optimal facility sites and on the applicable Fund's ability to secure operating and environmental permits to operate at those sites.

#### Zoning, Siting and Permitting Risks

The process of zoning, permitting and siting a property or asset, such as a quarry, is typically long, burdensome, and costly. Zoning and permitting processes require approval from various regulators. For example, in the U.S., quarry operators must obtain permits and approvals from various federal, state, and local agencies, including but not limited to, the Army Corps of Engineers, the Environmental Protection Agency, the Department of Labor, the Department of Homeland Security, the United States Treasury Department, state agencies that regulate air and water quality, and local land use approval authorities. Before

a quarry can be developed or expanded, the extraction site must meet all requirements for the necessary permits, which vary depending on where the quarry site is located. In addition, zoning, siting and permitting processes often face local opposition and may be challenged by a number of parties, including non-governmental organizations and special interest groups based on alleged security concerns, disturbances to natural habitats for wildlife and adverse aesthetic impacts. Beyond the time-consuming process of applying for the necessary permits, quarry operators must undergo public hearings at which local communities will decide whether or not to grant the proper land use designations. Highly motivated citizens in many local communities often oppose plans to develop new quarries or to expand existing quarries, in many cases demonstrating the “Not in My Backyard” phenomenon. Such factors make it difficult to develop new sites and to expand existing operations. The failure of any investment to receive, renew or maintain any required permits or approvals or any inability to satisfy any requirement of any permits or approvals may result in increased compliance costs, the need for additional capital expenditures or a suspension of project operations.

Furthermore, construction and other aggregates-intensive projects are also often subject to zoning, siting, permitting and other requirements and governmental and/or public scrutiny. Such factors may cause delays or suspensions of such projects, which may have the effect of delaying the delivery of, or terminating the order for, products to such projects and thereby result in increased inventories, delayed receipt of payments from purchasers and other consequences. Furthermore, such factors may incentivize a seller or operator to accept engagements for more predictable projects over other projects that may provide for greater profit but less certainty as to the timing or probability of execution.

### Ground Lease Investments

The Funds may invest from time to time in investments involving assets that are subject to ground leases. As a lessee under a ground lease, the Funds may be exposed to the possibility of losing the asset upon termination, or an earlier breach by the Funds, of the ground lease, which may adversely impact the Funds’ investment performance. Furthermore, ground leases generally provide for certain provisions that limit the ability to sell certain assets subject to the lease. In order to assign or transfer rights and obligations under certain ground leases, the Funds will generally need to obtain consent of the lessor of such asset, which, in turn, could adversely impact the price realized from any such sale.

### Real Estate Risks

Fund property holdings will be subject to the risks incidental to the ownership and operation of real estate and real estate-related businesses and assets, including changes in the general economic climate, local, national or international conditions (such as an oversupply of space or a reduction in demand for space), the quality and philosophy of management, competition based on rental rates, attractiveness and location of the properties and changes in the relative popularity of property types and locations, changes in the financial condition of tenants, buyers and sellers of properties, changes in operating costs and

expenses, uninsured losses or delays from casualties or condemnation, changes in applicable laws, government regulations (including those governing usage, improvement and zoning) and fiscal policies, the availability of financing, interest rate levels, environmental liabilities, contingent liabilities, successor liability for investments in existing entities (e.g., buying out a distressed partner or acquiring an interest in an entity that owns a real property), acts of God, acts of war (declared or undeclared), terrorist acts, work stoppages, shortages of labor, strikes, union relations and contracts, fluctuating prices and supply of labor and/or other labor-related factors and other factors beyond the control of a Fund Manager, the Fund, the operating partner and their respective affiliates.

Some or all of the Funds' investments may be subject to the risks inherent in the ownership and operation of assets or businesses which derive a substantial amount of their value from real estate and real estate-related interests. These types of underlying interests are typically illiquid. Deterioration of real estate fundamentals will likely negatively impact the performance of such investments. Such changes in fundamentals could involve fluctuations as a result of general and local economic conditions, overbuilding and increased competition, increases in property taxes and operating expenses, changes in environmental and zoning laws, casualty or condemnation losses, environmental liability, the availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable, natural disasters, increase in interest rates and other factors that are beyond the control of the Advisor. Additionally, the Funds may acquire assets in jurisdictions where indigenous rights (e.g., with respect to tribes or other dispossessed people/communities) to land exist. While the Funds will generally conduct due diligence in such jurisdictions to determine the extent to which it may be affected by such rights, it may not be possible to mitigate against or remove a risk associated with indigenous claims. Additionally, any declaration of title in respect of government protected land on which assets are located may negatively affect the operation of those businesses.

#### Equity Ownership of Real Estate

A Real Estate Fund's equity interests in properties will be subordinated to both general and secured creditors of the asset. This subordination could increase the Fund's risk of loss. Moreover, acquisition of equity interests involves certain risks not present in real property loans. For example, to the extent there are other equity owners of an asset, there is the possibility that such other equity owners may have economic or business interests or goals which are inconsistent with those of the Fund.

#### Risks Involved in Leases

The financial failure of, or other default by, tenants under their leases is likely to cause a significant, if not complete, reduction in the operating cash flow generated by the portion of a property leased to such tenants and would likely decrease the value of that property. Properties will be materially dependent on the financial stability of these tenants. Lease payment defaults by tenants will negatively impact a property's net

income and potentially reduce the value of a Fund's investment. In addition, the bankruptcy of a tenant could cause the loss of lease payments, an increase in the costs incurred to carry the property and related assets, or a rejection of the lease itself. Certain leases contain exclusivity provisions that will limit a Fund's ability to lease portions of the properties to competitors of certain existing tenants. Inability to lease a portion of a property to certain potential tenants may negatively impact a property's net income and potentially reduce the value of such investment.

### Environmental Risk

Environmental laws, regulations and regulatory initiatives play a significant role in the industries in which the portfolio companies and their customers operate and can have a substantial impact on investments in these industries. Such industries may continue to face considerable oversight from environmental regulatory authorities and significant influence from non-governmental organizations and special interest groups. New and more stringent laws, regulations and requirements or stricter interpretations of current laws, regulations or requirements could impose substantial additional costs on portfolio companies, including delays as the waiting periods to receive permits and other regulatory approvals may also become longer. Additionally, compliance with current or future environmental requirements does not ensure that the operations of the portfolio companies will not cause injury to the environment or to people under all circumstances or that the portfolio companies will not be required to incur additional unforeseen liabilities or environmental expenditures. Moreover, failure to comply with any such requirements could have a material adverse effect on a portfolio company, and there can be no assurance that portfolio companies will at all times comply with all applicable environmental laws, regulations and requirements. Past practices or future operations of portfolio companies could also result in material personal injury or property damage claims. Under certain circumstances, environmental authorities and other parties may seek to impose personal liability on the equity owners of funds (such as the Funds) subject to environmental liability. However, an Investor may mitigate its risk of such personal liability by avoiding activities with respect to the Funds' investment activities other than as specifically contemplated by the Fund Offering Documents.

It is also possible that such oversight and influence will reduce over the course of a Fund's term. Any decrease with respect to environmental oversight would likely increase competition within the industry, which could also adversely affect the business of the Funds and impede the Funds' ability to effectively achieve its investment objective.

### Catastrophe Risk

The operations of the portfolio companies are subject to many hazards inherent in the transporting, processing, storing, distributing, mining or marketing of natural materials. These risks could result in substantial losses due to personal injury or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental

damage and may result in the curtailment or suspension of their related operations. There can be no assurance that the portfolio companies will be fully insured against all risks inherent to their businesses. If a significant accident or event occurs that is not fully insured, it could adversely affect a portfolio company's operations and financial condition.

#### General Economic and Market Conditions

The Funds' investment strategies and the availability of opportunities satisfying the Funds' risk-adjusted return parameters rely in part on the continuation of certain trends and conditions observed in the financial markets and in some cases the improvement of such conditions. Trends and historical events do not imply, forecast or predict future events and, in any event, past performance is not necessarily indicative of future results. There can be no assurance that the assumptions made or the beliefs and expectations currently held by a Fund Manager will prove correct and actual events and circumstances may vary significantly. The success of the Funds' activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Funds' investments), trade barriers, currency exchange controls, and national and international political, environmental and socioeconomic circumstances (including wars, terrorist acts or security operations). A sustained downturn in the U.S. or global economy (or any particular segment thereof) or weakening of credit markets could adversely affect the Funds' profitability, impede the ability of the Funds' investments to perform under or refinance their existing obligations, and impair the Funds' ability to effectively exit portfolio investments on favorable terms. Any of the foregoing events could result in substantial or total losses to the Funds in respect of certain portfolio investments, which losses will likely be exacerbated by the presence of leverage in a portfolio company's capital structure. The Advisor and/or its affiliates could also be affected by difficult conditions in the capital markets and any overall weakening of the financial services industry. Any market turmoil, coupled with the threat of an economic slow-down, as well as a perceived increase in counterparty default risk, may have an adverse impact on the availability of credit to businesses generally, which in turn may adversely affect or restrict the ability of the Funds to sell or liquidate investments at favorable times or at favorable prices or which otherwise may have an adverse impact on the business and operations of the Funds.

Investors should refer to the Fund Offering Documents for a more extensive description of the various risks faced by the Funds in executing its investment strategy.

#### Misconduct of Personnel or Third-Party Service Providers

Certain of the Funds' and/or the Advisor's operations interface with and/or depend on third parties, including the Funds' service providers, and the Funds, the Advisor or the Fund Managers may not be in a position to verify the risks or reliability of such third parties. In addition, there have been a number of highly publicized cases involving fraud or other

misconduct by employees in the financial services industry in recent years, and there is a risk that employee misconduct could occur with respect to the Advisor, the Funds or the Fund Managers. The Funds may suffer adverse consequences from actions, errors or failure to act by such third parties and/or employees, and in certain cases will have obligations, including indemnity obligations, and limited recourse against them. Such misconduct could include, among other things, binding the Funds to transactions that exceed authorized limits or present unacceptable risks and other unauthorized activities or concealing unsuccessful investments (which, in either case, may result in unknown and unmanaged risks or losses), or otherwise charging (or seeking to charge) inappropriate expenses to the Funds. In addition, employees and third-party service providers may improperly use or disclose confidential information, which could result in litigation or serious financial harm, including limiting the Funds' business prospects or future activities. Furthermore, because of the Advisor's businesses and the regulatory regimes under which it operates, misdeeds by the Advisor, the Funds or the Fund Managers (or their personnel or service providers) may limit a Fund's ability to conduct its activities in the manner otherwise intended. It is not always possible to deter misconduct by employees or service providers, and the precautions that the Advisor and/or its affiliates take to detect and prevent this activity may not be effective in all cases. Moreover, due to a variety of factors, there can be no assurances that the Funds or Advisor will be able to engage and/or retain one or more of its preferred service providers (or any service providers of one or more particular types).

#### Non-U.S. Investments

The Funds may invest in portfolio companies outside the United States. In addition, investments in companies that are organized, headquartered or that principally operate in the United States often have operations in, sales to or other exposure to countries outside of the United States. Investments in and other exposure to non-United States countries involves certain risks not typically associated with investing in companies that are organized, headquartered and principally operating in, and whose customary are primarily in, the United States, including risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various non-U.S. currencies in which the non-U.S. investments are denominated; and costs associated with conversion of investment principal and income from one currency into another; (ii) differences in conventions relating to documentation, settlement, corporate actions, stakeholder rights and other matters; (iii) differences between the U.S. and non-U.S. securities markets, including potential price volatility in, and relative illiquidity of, some non-U.S. securities markets; (iv) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less governmental supervision and regulation in some countries; (v) certain economic, social and political risks, including potential exchange control regulations and restrictions on non-U.S. investment and repatriation of capital, the risks of political, economic or social instability, including the risk of sovereign defaults, and the possibility of expropriation or confiscatory taxation and

adverse economic and political development; (vi) the possible imposition of non-U.S. taxes on income and gains recognized with respect to such securities; (vii) differing, and potentially less well-developed or well-tested laws regarding corporate governance, fiduciary duties, the protection of investors and intellectual property rights; (viii) differences in the legal and regulatory environment or enhanced legal and regulatory compliance; (ix) political hostility to investments by foreign or private equity investors; and (x) less publicly available information. In addition, portfolio companies with operations in non-U.S. jurisdictions may be involved in restructurings, bankruptcy proceedings and/or reorganizations that are not subject to laws and regulations that are similar to the U.S. Bankruptcy Code and the rights of creditors afforded in U.S. jurisdictions. To the extent such non-U.S. laws and regulations do not provide the Funds with equivalent rights and privileges necessary to promote and protect their interest in any such proceeding, the Funds' investments may be adversely affected. Additionally, the Funds may be less influential than other market participants in jurisdictions where it or the Advisor and/or its affiliates do not have a significant presence.

Additionally, in emerging and developing markets, there is often less government supervision and regulation of business and industry practices, stock exchanges, over-the-counter markets, brokers, dealers, counterparties and issuers than in other more established markets. Any regulatory supervision which is in place may be subject to manipulation or control. Some emerging and developing market countries do not have mature legal systems comparable to those of more developed countries. Moreover, the process of legal and regulatory reform may not be proceeding at the same pace as market developments, which could result in investment risk. Legislation to safeguard the rights of private ownership may not yet be in place in certain areas, and there may be the risk of conflict among local, regional and national requirements. In certain cases, the laws and regulations governing investments in financial instruments may not exist or may be subject to inconsistent or arbitrary appreciation or interpretation. Both the independence of judicial systems and their immunity from economic, political or nationalistic influences remain largely untested in many countries. The Funds may also encounter difficulties in pursuing legal remedies or in obtaining and enforcing judgments in non-U.S. courts. Due to the foregoing risks and complications, the costs associated with investments in emerging market securities generally are higher than for securities and other instruments of issuers based in developed countries.

In addition, economic problems in a single country are increasingly affecting other markets and economies. A continuation of this trend could adversely affect global economic conditions and world markets and, in turn, could adversely affect the Funds' performance.

## Currency and Exchange Rate Risks

A portion of the Funds' investments, and the income received by the Funds with respect to such investments, may be denominated primarily in currencies other than U.S. dollars. However, the books of the Funds will be maintained, and Investors' contributions and capital accounts, as well as distributions from the Funds generally will be made, in U.S. dollars. Accordingly, changes in currency exchange rates, costs of conversion and exchange control regulations may adversely affect the dollar value of investments, interest and dividends received by the Funds, gains and losses realized on the sale of investments and the amount of distributions, if any, to be made by the Funds. In addition, the Funds will incur costs or experience substantial delays when, or be prohibited from, converting investment proceeds from one currency to another. While the Fund Managers may enter into hedging transactions designed to reduce such currency risks, there can be no assurance that any such transactions would achieve their intended results. Further, such hedging transactions could result in diminished returns (or increased losses on capital) to the extent overall returns are less than the Funds' costs or losses associated with such hedging transactions.

## Regulatory Approvals/Consents

The Funds may not receive the initial regulatory approval or license needed to acquire, dispose or otherwise operate an investment, including after substantial costs have been incurred pursuing such investment. Additional or unanticipated regulatory approvals, including, without limitation, renewals, extensions, transfers, assignments, reissuances, or similar actions, may be required to acquire or operate assets, and additional approvals may become applicable in the future due to a change in laws and regulations, a change in the portfolio company's customer(s) or for other reasons. Furthermore, permits or special rulings may be required on taxation, financial, and regulatory related issues. There can be no assurance that a portfolio company will be able to (i) obtain all required regulatory approvals that it does not yet have or that it may require in the future, (ii) obtain any necessary modifications to existing regulatory approvals, or (iii) maintain required regulatory approvals. Delay in obtaining or failure to obtain and maintain in full force and effect any regulatory approvals, or amendments thereto, or delay or failure to satisfy any regulatory conditions or other applicable requirements could prevent operation of a facility or sales to third parties or could result in additional costs to a portfolio company and the Funds.

A portfolio company's operations may rely on government licenses, concessions, leases, or contracts that are generally complex and may result in a dispute over interpretation or enforceability. Even though most permits and licenses are obtained at the initial stages of an investment, many of these licenses and permits are required to be maintained over the project's life. If a portfolio company fails to comply with these regulations or contractual obligations, it could be subject to monetary penalties or the Funds may lose their right to operate the affected portfolio company, or both.



Governments and other regulators may impose conditions on the operations and activities of portfolio companies as a condition to granting its approval or to satisfy regulatory requirements. These conditions, which may be statutory in nature or may be tailored to a particular project or asset, may limit or provide a disincentive for portfolio companies to invest in competing industries or to acquire anticompetitive market power in a particular market. The relevant governmental agency may impose conditions of ongoing ownership or equivalent restrictions on the Funds in respect of the underlying assets. This may include a requirement and/or restrictions that may limit the ability of the Funds to dispose of investments at opportune times or require that such assets remain managed by the Advisor.

### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to an evaluation of the investment adviser or the integrity of the investment adviser’s management.

The Advisor has no legal or disciplinary events to report that are material to the Funds or prospective investors evaluation of our advisory business or the integrity of our management.

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

Conflicts of interest may arise from time to time in connection with transactions between or involving a Fund and/or its portfolio companies, on the one hand, and the other investment funds, vehicles, managed accounts and/or arrangements sponsored by the Advisor and/or its affiliates (such investment funds, vehicles, managed accounts and/or arrangements, “Advisor Accounts”; which term, for the avoidance of doubt, includes the Aggregates Fund, the Worldwide Fund, the Real Estate Fund and any of their respective successor funds), and/or its subsidiaries and assets, on the other hand. In addition, various other potential and actual conflicts of interest will arise as a result of the overall investment activities of the Advisor, the Fund Managers and their affiliates. The following discussion briefly summarizes some of these potential and actual conflicts of interest (but is not intended to be an exclusive list of all actual and potential conflicts of interests) and should be carefully evaluated.

The Advisor and/or its affiliates and personnel may in the future engage in further activities that may result in additional conflicts of interest not addressed herein. Investors should consult the Fund Offering Documents for a more detailed discussion of applicable conflicts.

If any matter arises that the Advisor determines in its good faith judgment constitutes an actual conflict of interest, the Advisor will take such actions as it determines necessary or appropriate in its sole discretion to ameliorate the conflict (and upon taking such actions

the Advisor will be relieved of any liability for such conflict to the fullest extent permitted by law and shall be deemed to have satisfied its fiduciary duties related thereto to the fullest extent permitted by law). Although the Advisor is not obligated to pursue any such actions, these actions may include, by way of example and without limitation, (i) disposing of the asset or security giving rise to the conflict of interest; (ii) appointing an independent fiduciary to act with respect to the matter giving rise to the conflict of interest; and/or (iii) consulting with the Investor Advisory Committee or Investor Committee, as applicable (as defined in the applicable Fund Offering Documents) regarding the conflict of interest and either obtaining a waiver from such committee of the conflict of interest or acting in a manner, or pursuant to standards or procedures, approved by such committee with respect to such conflict of interest. There can be no assurance that the Fund Managers and their respective affiliates will identify or resolve all conflicts of interest in a manner that is favorable to the Funds. In addition, investors should note that the Fund Offering Documents contain provisions that, subject to applicable law, (i) reduce or eliminate the duties, including fiduciary and other duties, to the Funds and their Investors to which the Fund Managers would otherwise be subject; (ii) waive duties or consent to the conduct of the Fund Managers that might not otherwise be permitted pursuant to such duties; and (iii) limit the remedies of an Investor with respect to breaches of such duties. Additionally, the Fund Offering Documents contain exculpation and indemnification provisions that, subject to the specific exceptions enumerated therein (generally for intentional, wrongful acts), *provided*, that the Fund Managers and their respective affiliates (including the Advisor) will be held harmless and indemnified, respectively, for matters relating to the operation of the Funds, including matters that may involve one or more potential or actual conflicts of interest. By acquiring and/or maintaining an Interest in the Funds, each Investor will be deemed to have acknowledged the existence of any such actual or potential conflicts of interest (including, for example, those described herein) and to have waived any claim with respect to any liability arising from the existence of any such conflict of interest. As applicable, all references to the “Advisor” in this section will include any other investment advisor that the Advisor has engaged to provide investment advisory services, on its behalf, to the Funds.

#### Policies and Procedures of the Advisor

Policies and procedures implemented by the Advisor from time to time (including as may be implemented in the future) to mitigate potential conflicts of interest and address certain regulatory requirements and contractual restrictions may reduce the synergies across the Advisor’s areas of operation or expertise that the Funds expect to draw on for purposes of pursuing attractive investment opportunities. Because the personnel of the Advisor have other activities beyond the Funds, the Advisor is subject to a number of actual and potential conflicts of interest, additional regulatory considerations and more legal and contractual restrictions than that to which it would otherwise be subject if it focused only on the Funds. As a consequence, information, which could be of benefit to the Funds, might become

restricted to certain businesses within the Advisor and/or its affiliates and otherwise be unavailable to the Funds. The Advisor may implement certain policies and procedures that reduce the positive synergies that the Advisor seeks to cultivate across its businesses. Additionally, the terms of confidentiality or other agreements with or related to companies in which affiliates of the Advisor have or have considered making an investment or which is otherwise an advisory client of the Advisor may restrict or otherwise limit the ability of the Funds and/or its portfolio companies and their affiliates to make investments in or otherwise engage in businesses or activities competitive with such companies. The Advisor may enter into one or more strategic relationships in certain regions or with respect to certain types of investments that, although may be intended to provide greater opportunities for the Funds, may require the Funds to share such opportunities or otherwise limit the amount of an opportunity the Funds can otherwise take.

#### Allocation of Investment Opportunities Among Advisor Accounts

As a general matter, there can be no assurances that all investment opportunities identified by or suitable for a particular Advisor Account (including, without limitation, a particular Fund) and other Advisor Accounts will be made available to such Advisor Account. The Advisor is permitted to make investments outside the Funds and, in addition to the Funds, the Fund Managers or any affiliates thereof may serve as general partner or investment adviser for a number of other Advisor Accounts, offering investment management services in a diverse range of investment strategies. Consistent with the foregoing, the Advisor expects, from time to time, to be presented with investment opportunities that fall within the investment objective of one or more Advisor Accounts. The Fund Managers generally will (and will cause the Advisor to) share appropriate investment opportunities (and sale opportunities) with the Advisor Accounts and their respective portfolio companies and in general, this means that such opportunities will be allocated *pro rata* among the particular Fund and such other Advisor Accounts and/or entities based on any such factors as the Fund Managers determine in good faith to be appropriate; *provided*, that the Aggregates Fund will have priority over other Advisor Accounts with respect to investment opportunities in equity investments in quarries located in the continental United States until the earlier of the expiration or termination of the investment period of the Aggregates Fund and such time as 85% of aggregate capital commitments have been invested in, committed to or reserved or called for contribution for, Aggregates Fund expenses, Fund Fees, investments, Organizational Expenses and/or the repayment of indebtedness; and *provided, further*, that, subject to the preceding proviso, other Advisor Accounts may receive priority with respect to certain investments, subject to certain conditions in accordance with the governing documents of other Funds or such other Advisor Accounts, as applicable. Nevertheless, investment and/or sale opportunities may be allocated on any other basis (including, without limitation, an allocation of 100% of such an opportunity to such other entities), if a Fund Manager deems in good faith that a different allocation among the Advisor Accounts is appropriate, taking into account, among other considerations: (a) risk-return profile of the

proposed investment; (b) the Advisor Accounts' objectives, whether such objectives are considered solely in light of the specific investment under consideration or in the context of the portfolio's overall holdings; (c) the potential for the proposed investment to create an industry, sector, asset type, issuer or other similar imbalance in any Advisor Account's or any other such entity's portfolio; (d) liquidity requirements of the Advisor Accounts and such other entities, including during a wind-down of such Advisor Accounts; (e) tax consequences; (f) regulatory restrictions; (g) the need to re-size risk in the Advisor Accounts' portfolios; (h) redemption or withdrawal requests from, or defaults on capital contributions by, investors in the Advisor Accounts and anticipated future contributions into the Advisor Accounts; (i) proximity of an Advisor Account to the end of its specified term/commitment period; (j) when a *pro rata* allocation could result in de minimis or "odd lot" allocation; (k) availability of leverage and any requirements or other terms of any existing leverage facilities; (l) the nature and extent of involvement in the transaction on the part of the respective teams of investment professionals dedicated to such Advisor Accounts; and (m) other considerations deemed relevant by the Fund Managers.

#### Investments in Which Advisor Accounts Have Different Interests

An Advisor Account may make investments in which one or more other Advisor Accounts have or are concurrently making a different principal investment at the time of such Advisor Account's investment. In such situations, such Advisor Accounts may have conflicting interests (e.g., over the terms of their respective investments). In that regard, actions may be taken for one or more such Advisor Accounts that are adverse to one or more other such Advisor Accounts. Even if such Advisor Accounts invest in the same securities, conflicts of interest may still arise. For example, it is possible that as a result of legal, tax, regulatory, accounting or other considerations, the terms of such investment (including with respect to price and timing) for such Advisor Accounts may not be the same. Additionally, such Advisor Accounts may have different expected termination dates and/or investment objectives (including target return profiles) and, as a result, they may have conflicting goals with respect to the price and timing of disposition opportunities. For example, an Advisor Account may seek to dispose of an investment prior to or after the time another Advisor Account disposes its interests in the same investment. As a result, the consideration received by such Advisor Account in connection with such sale could be less than the amount it might have otherwise received if both such Advisor Accounts sold their respective interests as part of one transaction.

Moreover, it is possible that a counterparty, lender or other unaffiliated participant in such transaction requires or desires facing only one fund entity or group of entities, which may result in (i) any of the Advisor Accounts being solely liable with respect to its own and such third party for such other entities' (including co-investment vehicles formed for third party investors and/or personnel of the Advisor) share of the applicable obligation and/or (ii) any of the Advisor Accounts being jointly and severally liable for the full amount of such

applicable obligation, in each case which may result in such Advisor Accounts entering into a back-to-back or other similar reimbursement agreement. In such situations it is not expected that any of the Advisor Accounts would be compensated (or provide compensation to the other) for being primarily liable vis-à-vis such third-party counterparty. Furthermore, as a result of the incurrence of indebtedness on a joint and several or cross-collateralized basis, an Advisor Account may be required to contribute amounts in excess of its pro rata share, including additional capital to make up for any shortfall if such vehicles are unable to repay their pro rata share of such indebtedness. In addition, conflicts may arise in determining the amount of an investment, if any, to be allocated among the potential investors and the respective terms thereof. There can be no assurance that the return on any Advisor Account's investment will be equivalent to or better than the returns obtained by the other affiliates participating in the transaction. It is possible that in a bankruptcy, insolvency or similar proceeding an Advisor Account's interest may be subordinated or otherwise adversely affected by virtue of the involvement and actions of an affiliate of the Advisor relating to its investment.

#### Advisor Accounts as Investors in Other Advisor Accounts

The Worldwide Fund has made a capital commitment to the Aggregates Fund and the Worldwide Fund and/or one or more other Advisor Accounts may in the future invest in other Advisor Accounts. Neither the Investors nor any committees thereof will have the opportunity or right to participate in negotiating the amount, structure or terms of an investment in another Advisor Account, or in the control, management or operations of any such Advisor Account, and there can be no assurances that the interests of all or certain Investors will be taken fully into account. Such investment will generally be negotiated by certain members and personnel of the Advisor and/or its affiliates that will have economic interests in the performance-based compensation and fees received from such Advisor Accounts. The Advisor or its affiliates will make any management, financing, investing and disposition determinations with respect to the Advisor Accounts and such determinations generally will not require the consent of the investors of any Advisor Accounts or any other person or entity. Therefore, any decision with respect to any such investment will involve an inherent conflict of interest. Furthermore, any interests in an Advisor Account held by another Advisor Account, as well as any other future activities of the Advisor, the Advisor Accounts and/or their respective affiliates or personnel, may exacerbate the potential and actual conflicts of interest discussed herein and may result in additional and/or different conflicts of interest not addressed herein and/or not contemplated as of the date hereof. There can be no assurances that any conflict will be resolved in favor of any an Advisor Account's interests.

#### Co-Investment Opportunities

There are circumstances where an amount that would have otherwise been invested by a Fund are instead allocated to co-investors (who may or may not be Investors in such Fund),

and there is no guarantee for any Investor that it will be offered any co-investment opportunities. The Fund Managers will allocate such opportunities in its sole discretion to Investors, Advisor Accounts, third-party investors, service providers, and/or others, taking into account facts and circumstances including, but not limited to, the nature of the transaction, speed of execution required, tax considerations, familiarity with and history of investing in the relevant asset, ability to provide strategic insights and/or capital, the Fund Managers', Advisor's and/or their affiliates' past experiences and relationships with the potential co-investment party, whether a potential co-investment party will help establish, recognize, strengthen and/or cultivate relationships that could potentially provide longer-term benefits to the Funds, the expected amount of negotiations required in connection with such co-investor's commitment and such other factors that the Advisor deems relevant under the circumstances. Advisor Accounts and, in certain circumstances, service providers may also participate in co-investment opportunities. The Fund Managers are not obligated to offer co-investment opportunities to all investors who have expressed an interest in pursuing them. The Fund Managers may present co-investment opportunities to certain Investors and other third-party potential co-investors at any time and, with respect to any particular co-investment opportunity, at different times. Thus, one or more Investors and/or other third-party potential co-investors may have a longer period of time to evaluate a co-investment opportunity relative to other potential co-investors being offered the same opportunity. The Fund Managers have sole discretion as to the amount (if any) of a co-investment opportunity that will be allocated to a particular investor and may allocate co-investment opportunities instead to third parties. The allocation of co-investment opportunities will in many or all cases involve a benefit to the Advisor and its related parties including, without limitation, fees or performance-based compensation from the co-investment opportunity and investments in Advisor Accounts, which may differ as among co-investors and also may differ from the fees and/or performance-based compensation borne by Investors in the Funds. There can be no assurances with respect to the amount of any investment opportunity that will be allocated to the Funds. The Fund Managers may offer co-investment opportunities in its sole discretion, it is not expected to offer co-investment with respect to all investments made by the Funds.

Transaction-specific returns, and an Investor's overall returns from its exposure to the Funds' investments, may be affected significantly by the extent to which Investors are offered and choose to participate in co-investment opportunities. The performance of co-investments is not aggregated with that of the Funds, including for purposes of determining performance-based compensation or Fund Fees under the Fund Offering Documents. In addition, co-investors generally will not share in broken deal expenses (all of which may be borne by the Funds, even if a portion of such investment would have been or was offered for co-investment).

#### Diverse Investor Group

The Investors may have conflicting investment, tax and other interests with respect to their investments in the Funds. The conflicting interests of individual Investors with respect to other Investors and relative to investors in other investment vehicles may relate to or arise from, among other things, the nature of investments made by the Funds and such other vehicles, the structuring, or the acquisition or sale of investments and such other vehicles and the timing of disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by the Fund Managers, the Advisor or their affiliates, including with respect to the nature or structuring or managing of investments, that may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations.

In addition, the Funds may make or take actions with respect to investments which may have a negative impact on related investments made by the Investors in separate transactions. In selecting, structuring and managing investments appropriate for the Funds, the Fund Managers will generally consider the investment and tax objectives of the Funds and their Investors (and those investors in other investment vehicles managed or advised by the Fund Managers and the Advisor) as a whole, and not the investment, tax or other objectives of any Investor individually. To the extent members of an Investor committee or Investors in the Funds vote on any matter regarding conflicts or otherwise participate in matters involving a vote or action thereby, any such Investors in the Funds may have different interests, which may be related to or separate from their interests as an Investor in the Funds, and, as a result, may not be motivated to vote solely in accordance with its interests related to the Funds. Moreover, such Investors are unrestricted from voting, and may affirmatively vote, in a manner that is adverse to the interests of other Investors and the Funds.

#### Transactions with Potential and Actual Investors, Co-Investors

The Fund Managers and their respective affiliates from time to time engage in transactions with prospective and actual investors and co-investors that entail business benefits to such investors. Such transactions may be entered into prior to, or coincident with, an investor's admission to the Funds (or commitment to co-invest) or during the term of their investment. The nature of such transactions can be diverse and may include benefits relating to the Funds, Advisor Accounts and their respective portfolio companies. Examples include the ability to co-invest alongside Advisor Accounts and recommendations to underwriters for allocations in initial public offerings or loans to co-investors (or joint venture partners) by the Advisor or an Advisor Account.

#### Joint Venture Partners

Some of the third-party operators and joint venture partners with whom the Fund Managers may elect to co-invest the Funds' capital have preexisting investments with the Advisor and/or its affiliates. The terms of these preexisting investments may differ from the terms

upon which the Funds invest with such operators and partners. Investments made with joint venture partners will involve performance-based compensation and/or other fees payable to such joint venture partners (as determined by the Fund Managers in their sole discretion) by the joint vehicle or investment, which will reduce the actual returns realized by Investors on their investments in the Funds. To the extent a dispute arises between the Advisor and such operators and partners, the Funds' investments relating thereto may be affected.

#### Valuation Matters

The fair value of all investments or of property received in exchange for any investments will be determined by the Fund Managers in accordance with the Fund Offering Documents. Accordingly, the carrying value of an investment may not reflect the price at which the investment could be sold in the market, and the difference between carrying value and the ultimate sales price could be material. Valuations are subject to determinations, judgments and opinions, and other third parties or investors may disagree with such valuations. The valuation of investments will affect the amount and timing of the Fund Manager's performance-based compensation and, under certain circumstances, the amount of Fund Fees payable to the Advisor. The valuation of investments may also affect the ability of the Fund Managers to raise successor funds to the Funds. As a result, there may be circumstances where the Fund Managers are incentivized to determine valuations that may be higher than the actual fair value of investments.

#### Advisory Fee

The Advisor will receive Fund Fees from the Worldwide Fund in accordance with the terms of the Fund Offering Documents. Such fee is a flat fee and does not take into account appreciation or depreciation of the Worldwide Fund's net asset value, the number of investments owned by the Worldwide Fund and/or the number of investors invested in the Worldwide Fund. It should be noted that to the extent an Investor's percentage ownership of the Worldwide Fund increases as a result of redemptions or withdrawals, such Investor's proportionate share of the Fund Fee will increase.

#### Performance-Based Compensation

Performance-based compensation (such as the "carried interest" payable by the Aggregates Fund and Real Estate Fund and the "management interest" payable by the Worldwide Fund) creates an incentive for the Fund Managers to make riskier or more speculative investments on behalf of the Funds than would be the case in the absence of this arrangement, although a Fund Manager's and/or its affiliates' investment in a Fund should somewhat reduce this incentive. In addition, a Fund Manager may, in its sole discretion, agree to reduce or waive performance-based compensation with respect to certain Investors, and, in that regard, it should be noted that a portion of the performance-based compensation payable by the Worldwide Fund will be paid to current or former personnel of the Manager, the Worldwide



Fund or their respective affiliates. In any such instances, the Fund Manager will have a reduced incentive to seek to maximize the Fund's returns and as a consequence may devote less time and attention to the management of the Fund, which may reduce the returns of Investors. If distributions are made of property other than cash, the amount of any such distribution will be accounted for at the fair value of such property as determined by the Manager in accordance with the Fund Offering Documents. An independent appraisal generally will not be required and is not expected to be obtained. In certain limited circumstances, the amount of performance-based compensation will be calculated based on the fair value of in-kind distributions.

#### Portfolio Company Relationships

The Funds' portfolio companies may be counterparties or participants in agreements, transactions or other arrangements with portfolio companies of Advisor Accounts or their respective affiliates that, although the Advisor determines to be consistent with the requirements of such Advisor Accounts' governing agreements, may not have otherwise been entered into but for the affiliation with the Advisor or Advisor Accounts, as applicable, and which may involve fees and/or servicing payments to Advisor-affiliated entities which are not subject to any Fund Fee offset provisions or otherwise shared with the Members.

#### Service Providers

Certain advisors and other service providers, or their affiliates (including accountants, administrators, lenders, bankers, brokers, attorneys, consultants, investment or commercial banking firms and certain other advisors and agents) to the Funds, Advisor Accounts, their portfolio companies, or any of their respective affiliates may also provide goods or services to or have business, personal, political, financial or other relationships with the Advisor and/or its affiliates. Certain employees and/or affiliates of the Advisor may have ownership interests in certain service providers to the Funds and/or Advisor Accounts. Such advisors and service providers may be investors in the Fund, any Advisor Account, affiliates of the Fund Managers, sources of investment opportunities or co-investors or counterparties therewith. These relationships may influence the Fund Managers in deciding whether to select or recommend such a service provider to perform services for the Funds or a portfolio company (the cost of which will generally be borne directly or indirectly by the Funds or such portfolio company, as applicable). Notwithstanding the foregoing, investment transactions for the Funds that require the use of a service provider will generally be allocated to service providers on the basis of the Fund Managers' judgment as to best execution, the evaluation of which includes, among other considerations, such service provider's provision of certain investment-related services and research that the Fund Managers believe to be of benefit to the Funds. In certain circumstances, advisors and service providers, or their affiliates, may charge different rates or have different arrangements for services provided to Advisor Accounts, the Fund Managers, the Advisor, or their affiliates as compared to services provided to the Funds and its portfolio companies,

which may result in more favorable rates or arrangements than those payable by the Funds or such portfolio companies.

### Other Activities of Management

Certain members and personnel of the Fund Managers and the Funds will have economic interests in, and will devote a substantial amount of their business time to the affairs and operations of, the Advisor, the other Advisor Accounts and their respective businesses, ventures, investments and/or affiliates, as applicable. Conflicts of interest will exist as a result of such activities and relationships, including, without limitation, in the allocation of resources and opportunities, the making of decisions with respect to existing or potential investments. Moreover, an Advisor Account's governing documents may contractually or legally limit the investment opportunities available to the Funds, including, for example, by giving investors in such Advisor Account a priority right to co-investment opportunities or by limiting the Advisor's and/or the Fund Managers' discretion in allocating co-investment opportunities to the Funds. Furthermore, such conflicts may be exacerbated as a result of the Funds' and/or the Advisor's respective internal policies and compliance with applicable law and regulation, may vary considerably between, and result in materially different outcomes for, the Funds, the Advisor, the Fund Managers and/or their respective affiliates. Conflicts will not necessarily be resolved in favor of the Funds' interests.

As part of its regular business, the Advisor may engage in activities and/or provide services in the future beyond those currently provided. It is expected that certain operations with respect to such businesses may be in competition with the investments of the Funds. The Funds will have no interest in, and will not participate in the risks or rewards of, such other investments, funds, accounts, vehicles, businesses or ventures, and the Investors will neither receive a benefit from fees generated by such activities nor will they be entitled to participate therein on the basis of their investment in the Funds.

In addition, the Advisor and/or the Fund Managers and their respective personnel, in investing and trading for the Advisor Accounts (and/or in carrying out any other activities) may, subject to applicable laws, regulations and policies, make use of information obtained by the Funds in the course of its investment activities. The Advisor has not established, and does not intend to establish, information barriers between the internal investment teams of the Funds and the Advisor's other investment activities. Neither the Funds nor any Investor will be entitled to compensation or have any other rights or entitlements in any respect for any profits earned from the use of such information by the Advisor or its personnel.

### Investor Committees

Pursuant to the Fund Offering Documents, certain of the Fund Managers have established an Investor Advisory Committee or Investor Committee, that is authorized to give consent

on behalf of the Funds and to give any approval on behalf of the Funds, including as may be required under the Advisers Act (including, without limitation, any “assignment” (as that term is defined in the Advisers Act) of the investment advisory agreement between the Advisor and the Funds and as may be required under Section 206(3) thereof), and the Fund Manager will in certain situations (as applicable) consult with or obtain the consent of the Investor Advisory Committee or Investor Committee, as applicable, with respect to a specific conflict of interest, transaction or approval. If the Investor Advisory Committee or Investor Committee consents to a particular transaction or waives the conflict of interest or the Fund Manager acts in a manner, or pursuant to the standards and procedures, approved by the Investor Advisory Committee or Investor Committee, as applicable, with respect to such matter, or otherwise as provided in the Fund Offering Documents, then the Fund Managers will not have any liability to the Funds or the Investors for such actions taken in good faith by them, including actions in pursuit of their own interests.

The Fund Offering Documents will provide that to the fullest extent permitted by law, none of the members of the Investor Advisory Committee, nor the Investors on behalf of whom such members act as representatives, if applicable, shall owe any duties (fiduciary or otherwise) to any other Investor in respect of the activities of the Investor Advisory Committee. Furthermore, members of the Investor Advisory Committee may have various business and other relationships with the Advisor and its partners, employees and affiliates. The presence of these other relationships may influence their decisions as members of such committee.

#### Capital Calls and Use of Subscription Lines and Asset-Backed Facilities

Subject to the terms of the Fund Offering Documents, a Fund Manager may fund the making of investments with proceeds from drawdowns under one or more revolving credit facilities (the collateral for which can be, for example, one or more assets of the Fund, i.e., asset-backed facilities, or the unfunded commitments of investors, i.e., subscription lines) prior to calling commitments or otherwise utilizing investor contributions. For administrative convenience, capital calls, including those used to pay interest on subscription lines, asset-back facilities and other indebtedness, may from time to time be “batched” together into larger, less frequent capital calls or closings, with the Fund’s interim capital needs being satisfied by the Fund borrowing money from such credit facilities. Calculations of net and gross internal rates of return, as reported to Investors from time to time, will be based on the payment date of capital contributions received from Investors. This treatment also applies in instances where a Fund utilizes borrowings under a subscription-based credit facility in advance of receiving capital contributions from Investors to repay any such borrowings and related interest expense. As a result, use of a subscription-based credit facility will impact calculations of returns and will result in a higher or lower reported internal rate of return than if the facility had not been utilized and instead such Investors’ capital had been contributed at the inception of the investment, which will present conflicts

of interest as a result of certain factors, including the interest rate on such borrowings typically being less than the rate of the preferred return and that such preferred return does not accrue on such borrowings, and only accrues on capital contributions when made. As a result, use of such long-term leverage arrangements with respect to investments may reduce or eliminate the preferred return received by the Investors and accelerate or increase distributions of performance-based compensation to the General Partner, providing the General Partner with an economic incentive to fund investments through long-term borrowings in lieu of capital contributions. Subject to limitations in the Fund Offering Documents, the use of a subscription-based credit facility by a Fund is within the Fund Manager's discretion. In light of the foregoing, the General Partner has an incentive, and may, permanently fund the acquisition and ongoing capital needs of investments with the proceeds of such borrowings in lieu of drawing down commitments (and, accordingly, capital contributions to repay such borrowings may be required only at the time of disposition (or never if principal and interest on such borrowings are repaid out of investment proceeds). As a general matter, use of leverage in lieu of drawing down commitments amplifies returns (either negative or positive) to Investors.

#### Personnel

The Advisor or its affiliates have, and may from time to time, partner with individuals or hire short-term or long-term personnel (or interns), who are relatives of or are otherwise associated with the Advisor, an investor, a portfolio company or a service provider. Although reasonable efforts are made to mitigate any potential conflicts of interest with respect to each particular situation, there is no guarantee that the Advisor or its affiliates can control for all such potential conflicts of interest, and there may continue to be an ongoing appearance of a conflict of interest.

#### Side Letters

The Fund Managers have and may enter into side letters or other similar agreements with Investors in connection with their admission to the Funds without the approval of any other Investor. Such side letters would have the effect of establishing rights under, altering or supplementing the terms of the Fund Offering Documents with respect to one or more such Investors in a manner more favorable to such Investors than those applicable to other Investors. Any rights established, or any terms of the Fund Offering Documents altered or supplemented in a side letter or other similar agreement with an Investor will govern solely with respect to such Investor notwithstanding any other provision of the Fund Offering Documents. Such rights or terms in any such side letter or other similar agreement may include, without limitation, (i) fee and other economic arrangements (including, for example, with respect to Fund Fees and/or performance-based compensation) with respect to such Investors; (ii) excuse or exclusion rights applicable to particular investments or terms relating to withdrawal from the Funds, including without limitation, as a result of an Investor's specific policies or certain violations of federal, state or non-U.S. laws, rules or

regulations, such as so-called “pay-to-play” rules with respect to public pension plan investors, (which may materially increase the percentage interest of other Investors in, and their contribution obligations, for future investments and expenses, and reduce the overall size of the Funds); (iii) additional or modified reporting obligations of the Fund Managers and the Funds; (iv) waiver or modification of certain confidentiality obligations and/or documentation that might be requested by the Fund Managers; (v) prior consent of the Fund Managers to certain transfers by such Investor; (vi) matters (including any special rights of an Investor) relating to co-investment allocation participation and/or the terms thereof; (vii) rights or terms necessary in light of particular legal, regulatory or policy characteristics of an Investor; (viii) potential mandatory waivers of compensation as a result of certain violations of law with regard to public pension plan investors; (ix) additional obligations and restrictions of the Fund Managers and the Funds, including, without limitation, with respect to the structuring of any particular investment in light of the legal, tax and regulatory considerations of particular Investors; (x) agreements to assist with the taking or defending of tax positions; (xi) matters (including any special rights of an Investor) regarding such Investor’s (or its affiliates’) interest in providing financing to the Funds or its portfolio companies and (xii) certain obligations and restrictions on the Fund Managers with respect to the exercise of its discretion on certain matters, including amendments, exercising default remedies and waiving confidentiality or terms. Such side letters may permit such Investors to take actions on the basis of information not available to other Investors that do not have the benefit of such agreements. In addition, for the avoidance of doubt, it is acknowledged and agreed that under the terms of a most-favored nations provision, certain rights afforded to an Investor in a side letter may be limited to other Investors that have a certain subscription level or that subscribed for interests in the Funds by a particular date or otherwise only made available subject to certain conditions, restrictions or limitations. The Funds will upon request of an Investor make available copies of all side letters or a compendium containing the provisions of any such side letters, which copies or compendium may be redacted of any identifying information.

### Outside Statements

The Fund Managers and their respective affiliates and employees have made, and may in the future make, oral and written statements, confirmations, acknowledgments or expressions of intent or expectation to investors in the Funds or their affiliates or acknowledge statements by such persons regarding the Funds or the Fund Managers’ activities pertaining thereto. These may include, for example, the anticipated or expected allocation and terms of co-investment opportunities, the anticipated or expected allocation of investment opportunities to the Funds generally and other topics often addressed in legally binding side letters. Although such statements are not legally binding, such statements may influence allocation and other decisions of the Fund Managers and their respective affiliates and the Advisor’s employees with respect to the operations and investment activities of the Funds and may influence a prospective investor’s decision as to whether to invest in the Funds. By

virtue of not being legally binding obligations, such statements, confirmations, acknowledgments and expressions (including those made in response to an Investor's due diligence requests) will not be considered side letters for purposes of any most-favored-nation's provisions in actual side letters of the Funds. There can be no assurance that any such arrangements will not have an adverse effect on the Funds or any Investor.

#### Additional Potential Conflicts

Certain of the officers, directors, partners, managers and employees of the Advisor trade in securities for their own accounts, subject to restrictions and reporting requirements as may be required by law or otherwise determined from time to time by the Advisor. For the avoidance of doubt, the Funds may sell investments to any third party, including Investors in the Funds, other investment vehicles managed or sponsored by the Advisor or its affiliates and investors in any such vehicles.

#### **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

The Advisor's Code of Ethics ("Code") is designed to address and prevent potential conflicts of interest as required under Rule 204A-1 of the Advisers Act. The Code describes the Advisor's high standard of business conduct and fiduciary duty to its clients. The Code includes, among other items, provisions relating to the confidentiality of client and Investor information, prohibition on insider trading, prohibition of spreading rumors, restrictions on the acceptance of extravagant gifts and entertainment, the reporting of certain gifts and business entertainment, and personal securities trading procedures. All supervised persons at the Advisor must acknowledge the terms of the Code annually.

The Code is designed to ensure that the personal securities transactions, activities and interests of the employees of the Advisor will not materially interfere with (i) making decisions in the best interest of the Funds and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities and transactions have been designated as exempt securities or transactions based upon a determination that these would materially not interfere with the best interest of clients. In addition, the Code requires pre-clearance of certain transactions such as IPOs and limited offerings. Employee trading is monitored by the Chief Compliance Officer ("CCO"), to reasonably detect and prevent conflicts of interest between the Advisor and clients.

Employees who violate the Code and the Advisor's Compliance Manual are subject to potential disciplinary action including, but not limited to, written warnings, fines and termination of employment.

The Advisor does not participate in principal trading generally; however, the Advisor would be permitted to if the Advisor obtained appropriate Investor approvals.

The Advisor will provide a copy of its Code of Ethics to any existing or prospective Fund investor upon request to the CCO at the Advisor's principal office address, or by contacting us at (561) 282-0770.

### **Item 12 – Brokerage Practices**

The Advisor will focus on privately negotiated securities transactions of private companies and does not expect to generally trade in public securities. However, in the event the Advisor executes a brokerage transaction in a publicly traded security, the Advisor will generally consider qualitative factors including, but not limited to, the broker's reliability and execution capabilities for the transaction, the commissions charged by the broker, and the broker's reputation and responsiveness to requests for trade data and other financial information.

### **Item 13 – Review of Accounts**

Portfolio investments are subject to continuous review by the Advisor's investment team and includes, among others, review of investment performance, valuation changes, market developments, adherence to investment guidelines and strategies and risk analysis. In addition, our CCO reviews accounts on a periodic basis for compliance with our policies and procedures and relevant Fund Offering Documents.

Each Fund Investor (or their designated representatives) generally receives audited annual financial statements, and some Fund Investors also receive quarterly unaudited financial statements and/or quarterly commentary.

The Advisor generally will provide information that certain Investors may request, including additional information relating to a Fund, to the extent such information is readily available or may be obtained without unreasonable effort or expense. Investors that request and receive such information will consequently possess information regarding the business and affairs of such Fund that may not be known to other Investors. As a result, certain Investors may be able to take actions on the basis of such information which, in the absence of such information, other investors do not take.

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

The Advisor and/or its affiliates have entered into and may in the future enter into distribution and/or placement agent arrangements with a number of unaffiliated third parties. Such unaffiliated third parties may form investment vehicles for the purpose of investing in a Fund. In a typical distribution or placement agent arrangement, the Advisor or its affiliate agrees to pay a third-party solicitor for referring investors into a Fund. Typically,

third-party solicitors will receive compensation based on the subscription amounts of the Investors they solicited (although other payment arrangements could exist).

A prospective investor solicited by a third-party solicitor engaged by the Advisor or its affiliates is informed of (and may be asked to acknowledge in writing its understanding of) any such arrangement. All fees for such solicitation services will be ultimately borne by the Advisor and/or its affiliates (through a corresponding reduction in the management fee or otherwise), and none of the Investors in a Fund will be subject to any increased or additional fees or charges. However, the expenses relating to the diligence and negotiation of placement agent arrangements will be borne by the applicable Fund as an organizational expense.

Third-party solicitors in the U.S. will be registered as broker-dealers with the SEC. Third-party solicitors outside the U.S. will be registered with a non-U.S. regulatory body to the extent such registration is required in the applicable non-U.S. jurisdiction.

### **Item 15 – Custody**

The Advisor complies with Rule 206(4)-2 under the Advisers Act by engaging a third-party qualified custodian to maintain the funds and securities of the Funds except for certain privately offered securities as defined under Rule 206(4)-2 and having an independent public accountant perform an annual audit of the Funds and distributing the audited financial statements to all Investors in the Funds within 120 days of the end of their fiscal years.

### **Item 16 – Investment Discretion**

The Advisor has discretionary authority to manage securities accounts on behalf of the Funds subject to limitations set forth in the respective Fund Offering Documents. The Advisor is granted such discretionary authority in the relevant organizational documents and/or advisory agreements.

### **Item 17 – Voting Client Securities**

The Advisor's policies and procedures have been designed to ensure that it complies with the requirements of Rule 206(4)-6 and Rule 204-2(c)(2) under the Advisers Act and that reflect its commitment to vote all securities for which it exercises voting authority in a manner consistent with the best interests of the Funds. Given the nature of the Funds' investments, it is unlikely that the Advisor will receive proxies with respect to securities held on behalf of the Funds. In such cases, however, the Advisor's general policy is to vote such proxies in a manner that it determines is in the best interests of the Funds. Investors may obtain a copy of the Advisor's Proxy Voting Policies and Procedures and information on how



proxies were voted in connection with the Funds, by contacting the Advisor's CCO at (561) 282-0770.

From time to time, conflicts may arise between the interests of the Funds or one or more Investors, on the one hand, and the interests of the Advisor or its affiliates, on the other hand. If a material conflict is identified by the CCO, the Advisor will determine whether voting in accordance with the Advisor's proxy voting guidelines is in the best interests of its clients.

### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about their financial condition. The Advisor has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.