

**INVESTMENT ADVISER BROCHURE**

**MC<sup>2</sup> INVESTMENT MANAGEMENT, LLC**

**MC<sup>2</sup> Investment Management, LLC  
1399 New York Ave NW #1100, Washington, DC 20005**

**May 19, 2020**

**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of MC<sup>2</sup> Investment Management, LLC (“Adviser”). If you have any questions about the contents of this Brochure, please contact us at 202 552 5280. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.**

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

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

## **TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b>Material Changes .....</b>	<b>2</b>
<b>Advisory Business .....</b>	<b>2</b>
<b>Fees and Compensation.....</b>	<b>3</b>
<b>Performance-Based Fees and Side-By-Side Management .....</b>	<b>6</b>
<b>Types of Clients .....</b>	<b>6</b>
<b>Methods of Analysis, Investment Strategies and Risk of Loss.....</b>	<b>7</b>
<b>Disciplinary Information.....</b>	<b>21</b>
<b>Other Financial Industry Activities and Affiliations.....</b>	<b>21</b>
<b>Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....</b>	<b>21</b>
<b>Brokerage Practices .....</b>	<b>22</b>
<b>Review of Accounts .....</b>	<b>23</b>
<b>Client Referrals and Other Compensation.....</b>	<b>23</b>
<b>Custody .....</b>	<b>24</b>
<b>Investment Discretion .....</b>	<b>24</b>
<b>Voting Client Securities .....</b>	<b>24</b>
<b>Financial Information.....</b>	<b>25</b>

## MATERIAL CHANGES

This Brochure is dated as of May 19, 2020 and will be amended annually or as necessary to reflect material changes. This Brochure is being filed in connection with the Adviser's initial registration. There have been no previous filings; therefore, no material changes have been made to this Brochure from any prior filing.

## ADVISORY BUSINESS

**This brochure has been prepared on the basis of the way MC<sup>2</sup> Investment Management, LLC expects to conduct its investment advisory operations once such operations fully commence.**

The Adviser, a Delaware limited liability company and a registered investment adviser, and its affiliated investment advisers provide investment advisory services to investment funds privately offered to qualified investors in the United States and elsewhere. The Adviser is principally owned by Chertoff Group, LLC ("**TCG**").

The Adviser's clients include the MC<sup>2</sup> Security Fund, LP (the "**Fund**," and together with parallel vehicles and any future private investment fund to which the Adviser or its affiliates provide investment advisory services, the "**Funds**"). In respect of the advisory services provided to the Fund, the Adviser is affiliated with MC<sup>2</sup> Equity Partners, LP (together with general partner entities or equivalent governing entities established with respect to future Funds, the "**General Partners**" and, together with the Adviser and its affiliated entities, "**MC<sup>2</sup>**"). MC<sup>2</sup> Equity Partners, LP is subject to the Advisers Act pursuant to the Adviser's registration in accordance with SEC guidance. This Brochure also describes the business practices of the General Partners, which operate as a single advisory business together with the Adviser.

The Funds are private equity funds and invest through negotiated transactions in operating entities, generally referred to herein as "**portfolio companies**". The Adviser's investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments. Although investments are made predominantly in non-public companies, investments in public companies are permitted. From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of the Adviser or its affiliates generally serve on such portfolio companies' respective boards of directors (each, the "**Board**") or otherwise act to influence control over management of portfolio companies in which the Funds have invested.

The Adviser's advisory services to the Funds are detailed in the applicable private placement memoranda or other offering documents (each, a "**Memorandum**"), limited partnership or other operating agreements (each, a "**Partnership Agreement**" and, as applicable, together with any relevant Memorandum, the "**Governing Documents**") and are further described below under "Methods of Analysis, Investment Strategies and Risk of Loss." Investors in the Funds participate in the overall investment program for the applicable Fund, but may be excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the relevant Governing Documents. The Funds or the General Partners generally enter into side letters

or other similar agreements (“**Side Letters**”) with certain investors that have the effect of establishing rights under, or altering or supplementing the terms (including economic or other terms) of, the relevant Governing Documents with respect to such investors.

Additionally, from time to time and as permitted by the relevant Governing Documents, the Adviser expects to provide (or agree to provide) co-investment opportunities (including the opportunity to participate in co-invest vehicles) to certain investors or other persons, including other sponsors, market participants, finders, consultants and other service providers, the Adviser’s personnel and/or certain other persons associated with the Adviser and/or its affiliates (*e.g.*, a vehicle formed by the Adviser’s principals to co-invest alongside a particular Fund’s transactions). Such co-investments typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle may purchase a portion of an investment from one or more Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell-down or transfer).

As of the date hereof, the Adviser manages no client assets.

## **FEES AND COMPENSATION**

In general, the Adviser receives a management fee (the “**Management Fee**”) and a carried interest in connection with advisory services. The Adviser or other MC<sup>2</sup> entities or affiliates receive additional compensation in connection with management and other services performed for portfolio companies of Funds and such additional compensation will offset in whole or in part the Management Fees otherwise payable to the Adviser in accordance with the relevant Governing Documents. In addition, in certain circumstances the Adviser receives compensation for management and other services performed in connection with co-investments made in portfolio companies of the Funds. Investors in a Fund also bear certain expenses.

### **Management Fees**

The Fund will pay the General Partner (or an affiliate thereof) a management fee (the “**Management Fee**”) payable quarterly in advance with respect to each Limited Partner that is not designated as “affiliated partner” by the General Partner, equal to 2% of the capital commitments of such Limited Partner (“**Commitments**”), subject to discounts and/or reductions in certain circumstances as described in the Governing Documents. The Management Fee will be payable until all portfolio investments are disposed of or until the Adviser’s relationship with the Fund is terminated for other reasons (as described in the relevant Governing Documents).

As a matter of practice, the Adviser is typically paid fees of the type referred to in the preceding paragraph from, on behalf of or with respect to co-investors in an investment. The receipt of such fees will not reduce the Management Fee payable by any Fund(s) that have also invested in such investment, and as a result a Fund will, in most cases, only benefit with respect to its allocable portion of any such fee and not the portion of any fee that relates to such co-investors, which have the potential to be significant. Additionally, as further described below and in the relevant Governing Documents of each Fund, the Adviser expects to use or retain certain operating partners and affiliated service providers to provide services to (or with respect to) certain portfolio

companies in which Funds invest. Such operating partners and service providers will generally receive compensation and other amounts described herein from the relevant portfolio companies or Funds to which they provide services, but no such amounts will result in additional offsets to the Management Fee.

### **Carried Interest**

The Adviser will receive a carried interest with respect to the Fund equal to 20% of all realized profits subject to an 8% compound preferred return, subject to discounts and/or reductions in certain circumstances as more fully described in the Governing Documents. The carried interest distributed to the Adviser is subject to a potential giveback at the end of life of the Fund if the Adviser has received excess cumulative distributions.

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

### **Other Information**

The Adviser is permitted to exempt certain “**affiliated partner**” investors and other investors in the Funds from payment of all or a portion of Management Fees and/or carried interest. Any such exemption from fees and/or carried interest may be made by a direct exemption, a rebate by the Adviser and/or its affiliates, or through other Funds which co-invest with a Fund. For example, in instances where an Adviser professional (or an affiliated entity thereof) invests in a Fund, such professional (or such affiliated entity) generally will be exempt from payment of the Management Fee and carried interest with respect to such Fund. Additionally, to the extent permitted by the relevant Governing Documents, the Adviser has the right to permit investors, affiliated with an Adviser or otherwise, to invest through the relevant General Partner or other vehicles that do not bear Management Fees or carried interest.

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

Principals or other current or former employees of MC<sup>2</sup> generally receive salaries and other compensation derived from, and in certain cases including a portion of, the Management Fee, carried interest or other compensation received by the Adviser or its affiliates.

In addition to the Management Fee and carried interest payable to the Adviser, each Fund bears certain expenses. As set forth more fully in the applicable Governing Documents of each Fund, a Fund bears all expenses relating to the Fund’s activities, investments and business to the extent not reimbursed by a portfolio company or applied to reduce transaction fees, including costs and expenses attributable to structuring, organizing, acquiring, managing, operating, holding, valuing, winding up, liquidating, dissolving and disposing of such Fund’s investments, legal, filing, accounting, auditing, investment banking, travel (including, where appropriate, meal and entertainment expenses and the cost of chartering private aircraft or other private air travel at a cost above the cost of first class commercial airfare) or ground transportation(including car service), consulting, research, brokerage, finder’s fees, financing, real estate title, appraisal, printing, reporting, custody, depositary, transfer, registration, insurance, advisory board, limited

partner meetings and related meal and entertainment expenses, interest, taxes, extraordinary expenses and other similar fees and expenses, including such fees and expenses, or other liabilities or obligations, incurred for transactions not consummated (“**Broken Deal Expenses**”), including Broken Deal Expenses relating to transactions that have been offered to co-investors, but not the Adviser expenses in connection with maintaining and operating its offices (such as compensation of its employees, rent, utilities and general office expenses). The Funds also bear expenses indirectly to the extent a portfolio company pays expenses, including expenses of the Adviser and/or its affiliates, as well as their share of expenses (including, without limitation, rent, personnel costs and corporate expenses) relating to fund administrative and similar services performed by a Fund’s subsidiaries or other entities maintained by the Fund, the General Partner or their respective affiliates in connection with certain local jurisdictions’ requirements. Excluded from Fund expenses are ordinary administrative and overhead expenses of the General Partners incurred in connection with managing, originating and monitoring investments, including employees’ salaries, rent, utilities and other similar expenses specified in the Governing Documents. As is typical for private equity funds, the Funds likely bear additional and greater expenses, directly or indirectly, than many other pooled investment products, such as mutual funds. To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth in “Brokerage Practices.”

As described above, in certain circumstances, the relevant General Partner is expected to permit certain investors to co-invest in portfolio companies alongside one or more Funds, subject to the Adviser’s related policies and the relevant Governing Documents and/or Side Letter(s). Where a co-invest vehicle is formed, such entity generally will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction or would otherwise be beneficial, in the judgment of the General Partner, ultimately is not consummated, all Broken Deal Expenses relating to such proposed transaction will be borne by the Fund(s), and not by any potential co-investors, that were to have participated in such transaction.

### **Operating Partners and Affiliated Service Providers**

Additionally, as further described herein and in the applicable Governing Documents of each Fund, the Adviser expects to use or retain certain operating partners and TCG, an affiliated service provider, to provide services to (or with respect to) Funds or certain current or prospective portfolio companies in which Funds invest. Operating partners are expected to generally provide services in relation to the identification, acquisition, holding, improvement and disposition of portfolio companies, including operational aspects of such companies. In certain circumstances, these services will also include serving in management or policy-making positions for portfolio companies. Operating partners will receive compensation, including, but not limited to cash fees, retainers, transaction fees, a profits or equity interest in a portfolio company, profits or equity interests in one or more Funds or General Partners, remuneration from the Adviser and/or its Funds or affiliates or other compensation, which typically is determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of such operating partners, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such company. Operating partners also generally

will be reimbursed for certain travel and other costs in connection with their services. TCG generally provides consulting services to portfolio companies and receives fees for such services only on terms no less favorable to the Fund than would be obtained on an arm's-length basis, as determined by the Adviser in good faith. As described above, no such amounts received by operating partners or TCG will offset the Management Fee. The use of operating partners and TCG subjects the Advisers to conflicts of interest, as discussed under "Conflicts of Interest," below.

### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As described under "Fees and Compensation," the relevant General Partner receives a carried interest allocation on certain realized profits in the Fund. The Adviser does not advise Funds not subject to a carried interest, although it generally has the authority to waive carried interest with respect to certain affiliated partners as described under "Fees and Compensation."

The existence of performance-based compensation has the potential to create an incentive for the General Partner to make more speculative investments on behalf of a Fund than it would otherwise make in the absence of such arrangement, although the Adviser generally considers performance-based compensation to better align its interests with those of its investors.

### **TYPES OF CLIENTS**

The Adviser provides investment advice to the Funds. The Funds may include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. The investors participating in the Funds may include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, principals or other employees of the Adviser and its affiliates and members of their families, Operating Partners, Executive Advisors or other service providers retained by the Adviser.

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

The Fund has a minimum investment of \$5 million for third-party investors, which may be waived by the applicable General Partner. Investors in the Fund must meet certain suitability and net worth qualifications prior to making an investment. Investors must be (i) "accredited investors" as defined under Regulation D of the Securities Act of 1933, as amended, and (ii) either "qualified purchasers" or "knowledgeable employees" as defined under the Investment Company Act.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **General**

MC<sup>2</sup> is a private investment firm focused on controlling and non-controlling equity investments in middle market companies in the security sector. The Adviser's investment advisory services consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for investments. Investments are predominantly of non-public companies although investments in public companies are permitted.

The following is a summary of the investment strategies and methods of analysis generally employed by the Adviser on behalf of the Funds and a summary of certain risks involved with the Adviser's investment strategy and an investment in the Funds. More detailed descriptions of the Funds' investment strategies and methods of analysis and risks are included in the applicable Memorandum and Governing Documents for each Fund.

### **Investment and Operating Strategy**

The Adviser's investment strategy for the Funds focuses on the acquisition of non-controlling and controlling interests in middle-market companies in the security industry that the Adviser believes have strong growth prospects. Once an investment opportunity has been identified, the Adviser seeks to implement an effective operating strategy to improve the performance of the acquired company by leveraging its subject matter expertise to drive growth.

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

### **Risks of Investment**

Each Fund and its investors bear the risk of loss that the Adviser's investment strategy entails. The risks involved with Adviser's investment strategy and an investment in a Fund include, but are not limited to:

*Cybersecurity and Technology Advances.* The enterprise security market has grown quickly and is expected to continue to evolve rapidly. If a portfolio company does not accurately predict, prepare for, and respond promptly to rapidly evolving technological and market developments its competitive position and prospects will be harmed. The technology employed in the cybersecurity sector is especially complex because it needs to effectively identify and respond to new and increasingly sophisticated methods of attack, while minimizing the impact on network performance. As a result, companies in the cybersecurity industry must commit significant resources to developing new features and security, AI/analytics and other offerings before knowing whether such investments will result in marketable products. Failure to adapt to evolving industry needs in a timely and cost-effective manner could negatively affect the performance of a portfolio company and therefore the Fund.

*Cybersecurity Regulation and Litigation.* A number of companies in the cybersecurity industry hold a large number of patents and also protect their copyright, trade secret and other



intellectual property rights, and companies in the networking and security industry frequently enter into litigation based on allegations of patent infringement or other violations of intellectual property rights. Claims by others that a portfolio company infringed their proprietary technology or other intellectual property rights could result in significant costs and substantially harm the business, financial condition, results of operations, and prospects of a portfolio company. As the cybersecurity industry continues to face increasing competition and grow, the possibility of intellectual property rights claims and litigation also grows.

Personal privacy, data protection, information security, telecommunications regulations, and other laws applicable to specific categories of information are significant issues in the United States, Europe and in other jurisdictions where portfolio companies will operate. The data that such portfolio companies may collect, analyze, and store is subject to a variety of laws and regulations, including regulation by various government agencies. If a portfolio company is not able to satisfy data protection, security, privacy, and other government- and industry-specific requirements or regulations, its business, results of operations, and financial condition could be harmed. It is also expected that there will continue to be new proposed laws, regulations, and industry standards concerning privacy, data protection, information security, specific categories of data, electronic, and telecommunications services in the United States, the European Union and other jurisdictions in which portfolio companies may operate, and it cannot yet be determined the impact such future laws, regulations, standards, or perception of their requirements may have on companies in the cybersecurity industry. Failure to comply with such laws and regulations could subject portfolio companies to fines and penalties and could also negatively impact the performance of the business and therefore the Fund.

*Reliance on Government Contracts.* It is expected that some of the portfolio companies will be heavily dependent on U.S. government contracts, which may be only partially funded. These contracts are subject to the U.S. government's political and budgetary constraints, changes in short-range and long-range plans, the timing of contract awards, the congressional budget authorization and appropriation processes, the U.S. government's ability to terminate contracts for convenience or for default, as well as other risks such as contractor debarment in the event of certain violations of legal and regulatory requirements. Portfolio Companies providing services under U.S. government contracts are also subject to extensive regulation and audit by agencies of the U.S. government.

*U.S. Defense Industry.* It is expected that some of the Portfolio Companies will operate in the defense technology and homeland security industry. This industry may expose such Portfolio Companies to additional risks, including risks related to geopolitical and economic factors, laws and regulations. Additionally, the U.S. government is taking increasingly aggressive positions under the FAR and Defense Federal Acquisition Regulation Supplement (DFARS) both as to what intellectual property they believe government use rights apply and to acquire broad license rights. If the U.S. government is successful in these efforts, this could affect some of the Portfolio Companies' ability to compete and to obtain access to and use certain supplier intellectual property.

*Business Risks.* Each Fund's investment portfolio is expected to consist primarily of securities issued by privately held companies, and operating results in a specified period will be

difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.

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

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

*Dynamic Investment Strategy.* While each General Partner generally intends to seek attractive returns for a Fund through the investment strategy and methods described herein, the relevant General Partner may pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process or investment techniques to the extent it determines such modification or departure to be appropriate and consistent with the relevant Governing Documents. A General Partner may pursue investments outside of the industries and sectors in which the Adviser has previously made investments or has internal operational experience.

*Growth Equity Transactions.* A Fund may make growth-equity investments. While growth-equity investments offer the opportunity for significant capital gains, such investments may involve a higher degree of business and financial risk that can result in substantial or total loss. Growth-equity portfolio companies may operate at a loss or with substantial variations in operating results from period to period, and many will need substantial additional capital to support additional research and development activities or expansion, to achieve or maintain a competitive position, and/or to expand or develop management resources. Growth-equity portfolio companies may face intense competition, including from companies with greater financial resources, better brand recognition, more extensive development, marketing and service capabilities and a larger number of qualified managerial and technical personnel.

*Impact of Government Regulation, Reimbursement and Reform.* Certain security industry segments in which the Fund intends to invest are (or may become) (i) highly regulated at both the federal and state levels in the United States and internationally and (ii) subject to frequent regulatory change. Certain segments are highly dependent upon various government (or private) reimbursement programs. While each Fund intends to invest in companies that seek to comply with applicable laws and regulations, the laws and regulations may be ambiguous or may lack clear judicial or regulatory interpretive guidance. An adverse review or determination by any applicable judicial or regulatory authority of any such law or regulation, or an adverse change in

applicable regulatory requirements or reimbursement programs, could have a material adverse effect on the operations and/or financial performance of the companies in which the Fund invests.

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

*Leveraged Investments.* A Fund may make use of leverage by incurring or having a portfolio company incur debt to finance a portion of its investment in such portfolio company. Leverage generally magnifies both such Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. Leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of a Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates (which in recent years have been at or near historic lows) and could accelerate and magnify declines in the value of such Fund's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, a Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of such Fund. Furthermore, should the credit markets be limited or costly at the time the Fund determines that it is desirable to sell all or a part of a portfolio company, the Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Furthermore, the companies in which a Fund invests generally will not be rated by a credit rating agency.

A Fund may also borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt) or otherwise be liable therefor, and in such situations, it is not expected that such Fund would be compensated for providing such guarantee or exposure to such liability. The use of leverage by a Fund also will result in interest expense and other costs to such Fund that may not be covered by distributions made to such Fund or appreciation of its investments. While Fund-level borrowings generally will be interim in nature, asset-level leverage generally will not be subject to any limitations regarding the amount of time such leverage may remain outstanding. A Fund may incur leverage on a joint and several basis with one or more other Funds and entities managed by the Adviser or any of its affiliates and may have a right of contribution, subrogation or reimbursement from or against such entities. In addition, to the extent a Fund incurs leverage (or provides such guaranties), such amounts may be secured by capital commitments made by such

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

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

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

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

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

*Projections.* Projected operating results of a company in which a Fund invests normally will be based primarily on financial projections prepared by such company's management, with

adjustments to such projections made by the Adviser in its discretion. In all cases, projections are only estimates of future results that are based upon information received from the company and third parties and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material impact on the reliability of projections.

*Need for Follow-On Investments.* Following its initial investment in a given portfolio company, the Adviser may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a portfolio company, whether for opportunistic reasons, to fund the needs of the business, as an equity cure under applicable debt documents or for other reasons. There is no assurance that any Fund will make add-on investments or that any Fund will have sufficient funds to make all or any of such investments. Any decision by a Fund not to make add-on investments or its inability to make such investments may have a substantial negative impact on a portfolio company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made) or may result in a lost opportunity for such Fund to increase its participation in a successful operation.

*Public Company Holdings.* A Fund's investment portfolio may contain debt and/or equity securities issued by publicly held companies. Such investments may subject a Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of such Fund to dispose of such securities at certain times, increased likelihood of shareholder litigation and insider trading allegations against such companies' executives and board members, including the Adviser's principals, and increased costs associated with each of the aforementioned risks.

*Lack of Unilateral Control.* Even if a Fund is the majority investor or controlling shareholder, as applicable, of a portfolio company, in certain circumstances it may not have unilateral control of the portfolio company. To the extent the Fund invests alongside third parties, such as institutional co-investors or private equity funds of other sponsors, or is subject to terms and conditions imposed by portfolio company lenders, or makes a minority investment, the relevant portfolio companies may be controlled or influenced by persons who have economic or business interests, investment or operational goals, tax strategies or other considerations that differ from or are inconsistent with those of the Funds or their limited partners. Such third parties may be in a position to take action contrary to the Fund's business, tax or other interests, and the Fund may not be in a position to limit such contrary actions or otherwise protect the value of its investment. When taking non-control positions, a Fund generally will seek to negotiate certain negative controls and veto rights on major decisions, but there can be no assurance that a Fund will be able to control the timing or occurrence of an exit strategy for such portfolio companies in a manner that maximizes or protects value.

*Material Non-Public Information; Other Regulatory Restrictions.* As a result of the operations of the Adviser and its affiliates, the Adviser frequently comes into possession of confidential or material non-public information. Therefore, the Adviser and its affiliates may have access to material, non-public information that may be relevant to an investment decision to be made by a Fund. Consequently, a Fund may be restricted from initiating a transaction or selling

an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or the Adviser's internal policies.

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

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

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

*Cybersecurity Risks.* Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject, particularly operating companies in historically vulnerable industries such as the food services and retail industries. To the extent that a portfolio company is subject to cyber-attack or other unauthorized access is gained to a portfolio company's systems, such portfolio company may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or portfolio company financial information; (iii) portfolio company software, contact lists or other databases; (iv) portfolio company proprietary information or trade secrets; or (v) other items. In certain events, a portfolio

company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Any of such circumstances could subject a portfolio company, or the relevant Fund, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at the Adviser or one of its service providers holding its financial or investor data, the Adviser, its affiliates or the Funds may also be at risk of loss, despite efforts to prevent and mitigate such risks under the Adviser's policies.

*Public Health Emergencies; COVID-19.* Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, ebola and the current outbreak of COVID-19, have and are resulting in market volatility and disruption, and future such emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which may adversely impact the value and performance of investments; the Adviser's ability to source, manage, value and divest investments; and a Fund's ability to achieve its investment objectives.

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

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

The ongoing COVID-19 crisis and any other public health emergency could have a significant adverse impact on the Adviser and any Fund. The extent of the impact on a Fund and its portfolio companies' operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors may limit the ability of the Adviser to source, diligence and execute new investments and to manage, finance and exit investments in the future, and governmental mitigation actions may constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy a Fund intends to pursue, all of which could adversely affect the Adviser ability to fulfill its investment objectives. They may also impair the ability of portfolio companies or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences. In addition, the operations of the Adviser, the Funds, and their portfolio companies may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, restrictions on travel and movement, remote-working requirements and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity's personnel. These measures may also hinder such entities' ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

## **Conflicts of Interest**

The Adviser and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for their own account, and providing transaction-related, legal, management and other services to Funds and portfolio companies. The Adviser will devote such time, personnel and internal resources as are necessary to conduct the business affairs of the Funds in an appropriate manner, as required by the relevant Governing Documents, although the Funds and their respective investments will place varying levels of demand on these over time. In the ordinary course of the Adviser conducting its activities, the interests of a Fund may conflict with the interests of the Adviser, portfolio companies or their respective affiliates. Certain of these conflicts of interest are discussed herein. As a general matter, the Adviser will determine all matters relating to structuring transactions and Fund operations using its reasonable judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the advisory committees of the participating Funds.

During the commitment period of a Fund, all appropriate investment opportunities will be pursued by the Adviser principals through such Fund, subject to certain limited exceptions set forth in the Fund's Governing Documents and the Adviser's allocation policies. Without limitation, the Adviser principals currently manage, and expect in the future to manage, several other investments similar to those in which a Fund will be investing, and may direct certain relevant investment opportunities to those investments. The Adviser's principals and the Adviser's investment staff will continue to manage and monitor such investments until their realization. Such other investments that the Adviser principals may control or manage may potentially compete with companies acquired by a Fund. Following the commitment period of a Fund, the Adviser



principals may and likely will focus their investment activities on other opportunities and areas unrelated to such Fund's investments.

From time to time, the Adviser will be presented with investment opportunities that would be suitable not only for a Fund, but also for other Funds and other investment vehicles operated by advisory affiliates of the Adviser. In determining which investment vehicles should participate in such investment opportunities, the Adviser and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. Except as required by the relevant Governing Documents, the Adviser is not obligated to recommend any investment to any particular investment vehicle. Investments by more than one client of the Adviser in a portfolio company may also raise the risk of using assets of a client of the Adviser to support positions taken by other clients of the Adviser.

To determine whether the Fund or other investment funds sponsored by the General Partner or its affiliates will participate in the relevant investment opportunity, the General Partner generally assesses whether an investment opportunity is appropriate for each relevant fund based on the terms of such fund's limited partnership agreement, as well as factors including but not limited to: each fund's investment restrictions and objectives (including those set forth in the relevant fund's partnership agreements, where applicable), strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition, cash level (if any), applicable regulatory restrictions, life cycle and structure.

The Adviser's allocation of investment opportunities among the persons and in the manner discussed herein may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to others. While the Adviser will allocate investment opportunities in a manner that it believes in good faith is fair and equitable to its clients under the circumstances over time and considering relevant factors, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the conflicts of interest to which the Adviser may be subject, discussed herein, did not exist.

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

Subject to any relevant restrictions or other limitations contained in the Governing Documents of the Funds, the Adviser will allocate fees and expenses in a manner that it believes in good faith is fair and equitable to its clients under the circumstances and considering such factors as it deems relevant, but in its sole discretion. In exercising such discretion, the Adviser may be faced with a variety of potential conflicts of interest.

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

As a result of the Funds' controlling interests in portfolio companies, the Adviser and/or its affiliates typically have the right to appoint portfolio company board members (including current or former the Adviser personnel or persons serving at their request), or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members approve compensation and/or other amounts payable to the Adviser and/or its affiliates. Except to the extent such amounts are subject to the Governing Documents' offset provisions, they will be in addition to any Management Fees or carried interest paid by a Fund to the Adviser.

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

The Adviser expects to exercise its discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with (i) the Adviser or a related person of the Adviser (which may include a portfolio company of such Fund), (ii) an entity with which the Adviser or its affiliates or current or former members of their personnel has a relationship or from which the Adviser or its affiliates or their personnel otherwise derives financial or other benefit or (iii) certain limited partners or their affiliates. For example, the Adviser may be presented with opportunities to receive financing and/or other services in connection with a Fund's investments from certain limited partners or their affiliates that are engaged in lending or related business. This discretion subjects the Adviser to conflicts of interest, because although the Adviser selects service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Fund, the Adviser may have an incentive to recommend the related or other person (including a limited partner) because of its financial or other business interest. There is a possibility that the Adviser, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds or the Adviser), may favor such retention or continuation even if a better price and/or quality of

service could be obtained from another person. Whether or not the Adviser has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

In addition, as described above, portfolio companies (and, to a lesser extent, the Funds) will typically pay certain fees to operating partners and other consultants (including consultants introduced or arranged by the Adviser and/or its affiliates that regularly provide services to one or more portfolio companies), and such fees do not offset the Management Fee as described herein. Operating partners generally make use of Adviser resources or otherwise are associated with the Adviser. The Adviser and/or its affiliates may agree to compensate certain of such persons to the extent portfolio company-related compensation falls below certain specified levels on an aggregate annualized basis, or provide other compensation. Operating partners will generally receive investment opportunities, reimbursements and other compensation that do not offset the Management Fee of any Fund, as described herein. Although the use of operating partners and the allocation of compensation paid to them by the Adviser, its affiliates and/or the portfolio companies subjects the Adviser and/or its affiliates to potential conflicts of interest, the Adviser believes that such potential conflicts may be reduced by the anticipated cost savings to portfolio companies (which is expected to be to the benefit of the applicable Fund(s)) that will result if the cost of the operating partner is lower than market rates for the services provided and/or if the services of the operating partner align with the Adviser's model for the portfolio company and improve portfolio company performance. Although the Adviser seeks to retain operating partners with a view to reducing costs to portfolio companies (and, ultimately, the Funds) and/or improving portfolio company performance, a number of factors may result in limited or no cost savings from such retention. The Adviser also seeks to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that the Adviser believes will align such persons' interests with those of the Funds' limited partners, and seeks to retain only operating partners and service providers which it believes provide a level of service at a value generally consistent with other relevant market alternatives. However, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

The Adviser and/or its affiliates may also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by the Funds or other investment vehicles advised by the Adviser and/or its affiliates; conversely, current or former personnel or executives of the Adviser and/or its affiliates may serve in significant management roles at portfolio companies or service providers recommended by the Adviser. Similarly, the Adviser, its affiliates and/or personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including but not limited to managers of private funds, banks, brokers, advisors, consultants, finders (including executive finders and portfolio company finders), executives, attorneys, accountants, institutional investors, family offices, lenders, current and former employees, and current and former portfolio company executives, as well as certain family members or close contacts of these persons. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, the Adviser and/or its affiliates, and/or the Funds or other investment vehicles they advise. The Adviser may have a conflict of interest with a Fund in recommending the retention or continuation of a third-party service provider to

such Fund or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds, will provide the Adviser information about markets and industries in which the Adviser operates (or is contemplating operations) or will provide other services that are beneficial to the Adviser. The Adviser may have a conflict of interest in making such recommendations, in that the Adviser has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for a Fund, while the products or services recommended may not necessarily be the best available to the portfolio companies held by a Fund.

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

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

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

The Adviser and/or its affiliates may enter into Side Letters with certain investors in a Fund providing such investors with different or preferential rights or terms, including but not limited to different fee structures, information rights, co-investment rights, and liquidity or transfer rights.

The Adviser has incentives to use or to recommend products or services of one portfolio company to another, which may involve fees, commissions, servicing payments or other compensation. Potential conflicts of interest arise in making such recommendations, as the Adviser has incentives to maintain goodwill between it and its former, existing and prospective portfolio companies, and as a result the products or services recommended may not necessarily be the best or lowest cost option.

The Adviser is principally owned by TCG. TCG controls the Adviser but does not manage the day-to-day operations or investment decisions of the Adviser as they relate to the Funds. Although it intends to maintain operations, strategy and investment decisions separate from TCG, the Adviser generally will have incentives to conduct operations in a manner that benefits TCG.

The Adviser and its personnel are affiliates of TCG, and both TCG and senior personnel of TCG have an ownership interest in the General Partner that entitle them to a portion of the

carried interest distributions received by the General Partner. In addition, TCG personnel share office space with the Adviser. In addition, certain personnel of the General Partner are also personnel of TCG and, in each respective capacity, are expected to provide both investment advisory services, investment banking and consulting services to the Fund (as described below). As a security sector advisory, investment banking and private investment firm, TCG provides a range of strategy consulting, mergers and acquisitions advisory services and other business services to its clients, some of which may result in conflicts of interest between the Fund, on one hand, and TCG and certain of its clients, on the other hand. In certain instances, some of such conflicts of interest may be resolved in a manner adverse to the Fund and its ability to achieve its investment objectives.

From time-to-time the Adviser will recommend to the Fund and/or a portfolio company that it engage TCG for consulting and/or investment banking services, provided that TCG may receive fees for the services, including consulting fees, only on terms no less favorable to the Fund than would be obtained on an arm's-length basis, as determined by the General Partner in good faith. Certain personnel of the Adviser, including investment personnel, are also personnel of TCG and, in such capacity, are expected to provide consulting services to the Fund and/or its portfolio companies. Costs, fees, and expenses paid to TCG for services provided to the Fund and/or its portfolio companies, including such amounts attributable to consulting services provided by its personnel who are also personnel of the Adviser, are borne by directly or indirectly by the Fund and will not offset the Management Fee. Determinations to engage TCG will be made based on a variety of factors, including perceived relative quality of service, expertise and reputation. Although the Adviser believes that the Fund and/or its portfolio companies will benefit from utilizing TCG, and will seek to engage TCG with a view toward reducing costs to and/or improving performance of portfolio companies and the Fund, the use of TCG subjects the Adviser to conflicts of interest. For example, certain Adviser personnel, including those responsible for determining whether and on what terms to engage TCG, will receive compensation from both the Adviser and TCG. This creates an incentive for the General Partner to maximize the frequency of engagements with TCG and/or to seek terms that benefit TCG. The Adviser believes that such conflicts are reduced by the anticipated cost savings to portfolio companies that will result if the value of the service provided to the Fund or portfolio company is greater relative to relevant market alternatives. The Adviser also believes such conflicts are mitigated by any required consents pursuant to the terms of the Partnership Agreement. However, there can be no assurance that amounts charged for the relevant services ultimately will approximate then-current market rates, that no other service provider is more qualified to provide the services or could provide such services at a more competitive cost, or that the provision of such services will not result in a net benefit to the Adviser, TCG, and their personnel over the life of the Fund.

The Adviser expects to engage Mercury Capital Advisors, LLC ("**Mercury**"), a registered broker-dealer, to provide placement agent and other related services. Mercury and certain of its personnel hold interests in the Adviser and its affiliates. Under the terms of such engagement, Mercury will receive as compensation a portion of the Management Fee and carried interest, as well as reimbursement from the Fund for certain expenses, and no such amounts will offset the Management Fee. This engagement creates conflicts of interest, including because the Adviser has particular incentives to maintain goodwill with Mercury and its personnel due to their interests in the Adviser. However, Mercury and its personnel will not have any control over the

management of the Adviser, including with respect to decisions regarding engagement of third-party service providers.

Any of these situations subjects the Adviser and/or its affiliates to potential conflicts of interest. The Adviser attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by the Adviser's advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among a Fund, other Funds and such investment vehicles in a fair and equitable manner. To the extent that an investment or relationship raises particular conflicts of interest, the Adviser will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, the Adviser consults and receives consent to conflicts from an advisory committee consisting of limited partners of the relevant Fund(s) and such other investment vehicles.

### **DISCIPLINARY INFORMATION**

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

### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

The Adviser is affiliated with the General Partner, and expects in the future to be affiliated with additional General Partners that will serve as general partners to future Funds and will generally share common owners, officers, partners, employees, consultants or persons occupying similar positions. The Adviser is further affiliated with TCG, a security sector advisory firm. As further described above and in the relevant Governing Documents, the Adviser will engage TCG to provide consulting services to portfolio companies. The Adviser is also affiliated with Chertoff Capital, LLC, a subsidiary of TCG and broker-dealer registered with the SEC, primarily engaged in the provision of mergers and acquisitions advisory services.

Please refer to "Methods of Analysis, Investment Strategies and Risk of Loss — Conflicts of Interest" for a description of any material conflicts of interests and how the Adviser addresses such conflicts.

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

The Adviser has adopted the MC<sup>2</sup> Code of Ethics and Securities Trading Policy and Procedures (the "**Code**"), which sets forth standards of conduct that are expected of MC<sup>2</sup> principals and employees and addresses conflicts that arise from personal trading. The Code requires certain MC<sup>2</sup> personnel to report their personal securities transactions, prohibits or requires pre-clearance for MC<sup>2</sup> personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering, and prohibits MC<sup>2</sup> personnel from directly or indirectly acquiring beneficial ownership of securities with limited exceptions, without first obtaining approval from the MC<sup>2</sup> Chief Compliance Officer. In addition, the Code requires such personnel to comply with procedures designed to prevent the misuse of, or trading upon, material non-public information. A copy of the Code will be provided to any investor or prospective investor upon request to Kanad Virk, the MC<sup>2</sup> Chief Compliance Officer, at 202 552 5280. Personal securities

transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client's interests in client eligible investments.

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

Accordingly, should the Adviser or any of its affiliated persons come into possession of material non-public or other confidential information with respect to public and non-public company, the Adviser generally would be prohibited from communicating such information to clients, and the Adviser will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of MC<sup>2</sup> personnel serving as directors of public companies and may restrict trading on behalf of clients, including a Fund.

Principals and employees of the Adviser and its affiliates may directly or indirectly own an interest in one or more Funds, including certain co-invest vehicles. To the extent that co-invest vehicles exist, such vehicles may invest in one or more of the same portfolio companies as a Fund. Co-invest opportunities may also be presented to certain affiliates of the Advisers, as well as third party investors and other persons, and such co-investments may be effected through co-invest vehicles or directly in a particular portfolio company. Such co-investment opportunities generally will be allocated in the manner described under "Methods of Analysis, Investment Strategies and Risk of Loss."

The Adviser and its affiliates, principals and employees may carry on investment activities for their own account and for family members, friends or others who do not invest in a Fund, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, any Fund, even though their investment objectives may be the same or similar. The operative documents and investment programs of certain Funds may restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of certain other vehicles in issuers held by such Funds or may give priority with respect to investments to such Funds. Some of these restrictions could be waived by investors (or their representatives) in such Funds.

### **BROKERAGE PRACTICES**

The Adviser focuses on securities transactions of private companies and generally purchases and sells such companies through privately negotiated transactions in which the services of a broker-dealer may be retained. However, the Adviser may also distribute securities to investors in a Fund or sell such securities, including through using a broker-dealer, if a public trading market exists. Although the Adviser does not intend to regularly engage in public securities transactions, to the extent it does so, it follows the brokerage practices described below.

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

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

Consistent with the Adviser seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although the Adviser generally does not make use of such services at the current time and has not made use of such services since its inception.

## **REVIEW OF ACCOUNTS**

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

Each Fund generally will provide to its limited partners (i) annual GAAP audited and quarterly unaudited financial statements, (ii) annual tax information necessary for each limited partner’s tax return and (iii) annual reports providing a narrative summary of the status of each portfolio company investment.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

The Adviser and/or its affiliates may provide certain business or consulting services to companies in a Fund’s portfolio and may receive compensation from these companies in connection with such services. As described in the Governing Documents, this compensation is generally in addition to Management Fees. *See* “Fees and Compensation.”

From time to time, the Adviser may enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a limited partner in a Fund. Certain fees payable to any such placement agents will generally be borne by the Adviser, either directly through a compensation in the form of a portion of the Management Fee, or indirectly through an offset against the Management Fee, although related expenses



incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, typically are borne by the relevant Fund(s). In addition, the Adviser expects to enter into an arrangement with Mercury for placement agent services under which Mercury will receive (i) a portion of the Management Fee and (ii) a portion of the carried interest, plus reimbursement of certain expenses. For the avoidance of doubt, such compensation paid to Mercury will not offset the Management Fee. See to “Methods of Analysis, Investment Strategies and Risk of Loss — Conflicts of Interest” for additional information.

### **CUSTODY**

To the extent the Adviser or its affiliates are deemed to have custody of a client’s assets, the relevant Fund will comply with Rule 206(4)-2 under the Advisers Act by meeting the conditions of the pooled vehicle annual audit provision and the Adviser will maintain custody of assets held in the name of the Funds with a qualified custodian who will provide periodic account statements. Clients should review these financial statements carefully.

### **INVESTMENT DISCRETION**

The Adviser has discretionary authority to manage investments on behalf of each Fund. As a general policy, the Adviser does not allow clients to place limitations on this authority. Pursuant to the terms of the Governing Documents, however, the Adviser and/or its affiliates may enter into Side Letters with certain limited partners whereby the terms applicable to such limited partner’s investment in a Fund may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. The Adviser assumes this discretionary authority pursuant to the terms of the Governing Documents and powers of attorney executed by the limited partners of such Fund.

### **VOTING CLIENT SECURITIES**

The Adviser has adopted Proxy Voting Policies and Procedures (the “**Proxy Policy**”) to address how it will vote proxies, as applicable, for the Fund’s (and any Fund’s) portfolio investments. The Proxy Policy seeks to ensure that the Adviser votes proxies (or similar instruments) in the best interest of the Fund, including where there may be material conflicts of interest in voting proxies. The Adviser generally believes its interests are aligned with those of each Fund’s investors, for example, through the principals’ beneficial ownership interests in such Fund and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that the Adviser may address the conflict using several alternatives. Additionally, a Fund’s advisory board may approve the Adviser’s vote in a particular solicitation. The Adviser does not consider service on portfolio company boards by the Adviser personnel or the Adviser’s receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by the Adviser when voting proxies on behalf of a Fund. Clients or investors that would like a copy of the Adviser’s complete Proxy Policy or information regarding how the Adviser voted proxies for particular portfolio companies may contact Kanad Virk, the Chief Compliance Officer, at 202 552 5280 and it will be provided at no charge.

## **FINANCIAL INFORMATION**

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