

Investment Adviser Brochure  
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March 31, 2021

This Brochure provides information about the qualifications and business practices of MidOcean US Advisor, LP. If you have any questions about the contents of this Brochure, please contact us at 212-497-1400 or *via* e-mail at [dhodges@midoceanpartners.com](mailto:dhodges@midoceanpartners.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

MidOcean US Advisor, LP is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

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

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## Item 2– Material Changes

This Brochure has been revised since the version dated March 27, 2020 to update the amount of client assets managed by the Adviser and to reflect the insertion of additional disclosures relating to expenses, portfolio company fees, and operating partners. All other changes to this Brochure are not material and are solely clarifying or updating changes.

## Item 4 – Advisory Business

The Adviser and its affiliates (collectively, “MidOcean”) was formed in January 2003. As of December 31, 2020, the Adviser had discretionary regulatory assets under management of \$2.5 billion.

The Adviser provides investment management services to its clients, which are a series of private equity funds formed by MidOcean. Currently, the Adviser serves as the investment adviser to MidOcean Partners III, L.P. and its parallel funds (MidOcean Partners III-A, L.P. and MidOcean Partners III-D, L.P.) (and together, “Fund III”), MidOcean Partners IV, LP (“Fund IV”), MidOcean Partners V, LP (“Fund V”), MidOcean Prepaid Holdings, LP (MidOcean PPD”) (and Fund III, Fund IV Fund V, and MidOcean PPD each, a “Fund,” and together the “Funds” and together with any future private investment funds managed by the Adviser, the “Private Investment Funds”) pursuant to the terms of an advisory agreement entered into with each Fund and its partner (the “Advisory Agreements”). In addition, the Adviser has an affiliate that is a general partner to MidOcean Partners III-E, L.P.

The Funds are closed end funds that target investments in middle market private companies. The investment strategy for each Fund is described in the relevant Fund’s private placement memorandum and is subject to any limitations set forth in the Fund’s agreement of limited partnership or other governing documents (each, a “Partnership Agreement”). Except for any investment restrictions contained in the Partnership Agreements, limited partners generally do not have the ability to limit the Adviser’s investment authority and generally participate in a Fund’s overall investment program, although certain limited partners may be excused from participating in certain investments or may be entitled to withdraw from a Fund under limited circumstances, in each case as set forth in the applicable Partnership Agreement. The Funds or the General Partners have entered into side letters or other similar agreements (“Side Letters”) with certain investors that have the effect of establishing rights (including economic or other terms) under, or altering or supplementing the terms of, the relevant Partnership Agreement with respect to such investors. Pursuant to the Advisory Agreements, the Adviser is responsible for identifying investment opportunities, structuring and negotiating the terms and conditions of each acquisition, arranging for all necessary financing and, after consummation, monitoring the progress of, and arranging for the disposition of, each portfolio company in accordance with the investment guidelines set forth in Partnership Agreements. The Adviser may engage sub-advisors and may, in its discretion, retain other professionals, including but not limited to accountants, lawyers and consultants, to assist in rendering any services. In addition, the Adviser may provide services directly to portfolio companies. The senior principals or other personnel of MidOcean may serve on the board of directors of any such portfolio company or otherwise act to influence control over the management of the Funds’ portfolio companies.

MidOcean US Advisor Holdings, LLC (“Holdings”), a Delaware limited liability company, is the general partner of the Adviser. J. Edward Virtue (“Ted Virtue”) indirectly controls 100% of the Adviser.

From time to time, the Adviser expects to provide (or agrees to provide) 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 (to the extent not prohibited by the applicable Partnership Agreement), co-investment opportunities (including the opportunity to participate in co-invest vehicles) that will invest in certain portfolio companies alongside a Fund. Such co-investments typically involve investment and disposal of interest 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). Any such purchase from a Fund by a co-investor or co-invest vehicle generally occurs shortly after the Fund's completion of the investment to avoid any changes in valuation of the investment, and the co-investor or co-invest vehicle may be charged interest on the purchase to compensate the relevant Fund for the holding period, and generally will be required to reimburse the relevant Fund for related costs.

## **Item 5 – Fees and Compensation**

In general, the Adviser receives a management fee in connection with the advisory services provided to Fund III and Fund V. Fund III, Fund IV, and Fund V's general partner or other MidOcean affiliate generally also receive carried interest. The Adviser may also receive additional compensation in connection with management and other services performed for Fund portfolio companies, and such compensation will offset in whole or in part the management fees otherwise payable to the Fund III and Fund V. These fees do not offset for Fund IV as there is no management fee but are capped at 2% per annum in aggregate. The information below summarizes the compensation that the Adviser receives, but investors should also review the specific terms of the applicable Partnership Agreement. These terms are negotiated at the time that a Private Investment Fund is formed and thereafter, are not negotiable.

### *Management Fees*

The Adviser is paid an annual advisory fee (the "Advisory Fee") for Fund III and Fund V based upon a percentage of commitments during the Fund's Investment Period or a percentage of assets under management after the Investment Period (see applicable Partnership Agreement for the definition of Investment Period). The Funds generally issue capital calls quarterly in advance to Limited Partners requesting Advisory Fees due. At the discretion of the General Partner and the Manager, certain Limited Partners have special Management Fee arrangements.

For Fund III, the Advisory Fee is calculated as follows (see the Partnership Agreement for the definitions of capitalized terms used below and not otherwise defined):

The Adviser is paid an advisory fee of one and one-half percent (1.5%) per annum of the amount of the Limited Partner's Funded Commitment, reduced by the amount of distributions to the Limited Partner constituting a return on invested capital, the aggregate amount of the Limited Partner's contributions used to pay the Advisory Fee and the amount of any write off for United States federal income tax purposes. Fund III pays the Advisory Fee to MidOcean or to its affiliates.

For Fund V the Advisory Fee is calculated as follows (see the Partnership Agreement for the definitions of capitalized terms used below and not otherwise defined):

Each Limited Partner (other than affiliates of the General Partner (including the Executive Fund)) will pay to Fund V an Advisory Fee, quarterly in advance equal to two percent (2%) per annum of its Commitment during the Investment Period.

After the expiration of the Investment Period or earlier upon the occurrence of certain events as set forth in the Partnership Agreement, the Management Fee will equal 2.0% of (i) the aggregate unrecouped investment contributions attributable to Bridge Financings plus the aggregate investment contributions made with respect to investments that have not been disposed of or completely written-off for U.S. federal income tax purposes, less (ii) the aggregate amount of distributions constituting a return of capital with respect to the portion of each investment that has been disposed of or permanently written off, in each case with respect to Non-Affiliated Partners.

Following the 10th anniversary of the final closing date the Management Fee shall be further reduced to 1.5% of (x) the aggregate unrecovered investment contributions attributable to Bridge Financings plus the aggregate investment contributions made with respect to investments that have not been disposed of or completely written-off for U.S. federal income tax purposes, less (y) the aggregate amount of distributions constituting a return of capital with respect to the portion of each investment that has been disposed of or permanently written off, in each case with respect to Non-Affiliated Partners.

Fund V will pay the Advisory Fee to MidOcean or its affiliates.

The Adviser does not receive an advisory fee for any services to MidOcean Partners III-E, LP, Fund IV, or MidOcean PPD.

The amount of advisory fees will not be reduced based on reductions in investment value, except where specified by the relevant Partnership Agreement. As a general matter, advisory fees will be payable during term extensions unless otherwise agreed with limited partners.

The Advisory Fees will be reduced by an amount of 80% of such Offset Fees earned by any General Partner Affiliate ("GP Affiliate") for Fund III – except for Investments in Fund III made during the Fund Extension Period and director's fees where the offset will be 100%. For Fund IV, the General Partner may keep Offset Fees equal to 2.0% of total commitments per annum. The Advisory Fees will be reduced by an amount of 100% of such Offset Fees earned by any GP Affiliate for Fund V. These Offset Fees include: all director fees, closing fees, investment banking fees, advisory fees, management fees, consulting fees, origination fees, monitoring fees, commitment fees, break-up fees and any other fees received by any GP Affiliate from a Portfolio Company or otherwise in connection with the activities of the Partnership (but with respect to non-cash consideration, only to the extent of the net cash proceeds thereof as and when received), in each case net of any amounts received by any GP Affiliate as a reimbursement for costs or expenses (other than Advisory Expenses) incurred by such Persons in generating such fees or in connection with any consummated or unconsummated transaction.

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 with respect to any co-investment amounts will not reduce Advisory Fees 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.

The Adviser reserves the right to waive all or any portion of any future installment of the Advisory Fee. Any waived portion of an Advisory Fee installment shall (i) reduce the amount of capital contributions that an affiliate of the General Partner would otherwise be required to make after the date that the waived amount would otherwise be due and (ii) correspondingly increase capital contributions of the Limited Partners. Waived or reduced Advisory Fees are not subject to the Advisory Fee offsets described above, and the amount of such waived or reduced Advisory Fees has the potential to be significant. Due to waived or reduced Advisory Fees by the Adviser and/or timing of receipt of compensation subject to offsets (as described above), it is possible that Advisory Fee offsets will not be fully realized by investors in the applicable Fund, resulting in a net additional benefit to the Adviser.

As described more fully in the applicable Private Placement Memorandum, the Adviser has exclusive relationships with certain senior professionals who provide certain key value-added services to the portfolio companies of the Funds (the "Executive Board and Management Affiliates"). The Executive Board and Management Affiliates are not employees of the Adviser, are not members of the Adviser and, generally, do not have a carried interest in the Adviser's investments, except as related to prior employment with MidOcean. Such Executive Board and Management Affiliates may receive compensation from MidOcean portfolio companies and such compensation will not result in offsets to the Management Fee.

### *Carried Interest*

The Adviser also receives carried interest with respect to each Fund III, Fund IV, and Fund V from all Limited Partners (with the exception of the General Partner and its Affiliates (including the Special Limited Partners and the Executive Fund)) equal to 20% of all realized profits in excess of a preferred return, as more fully described in the Partnership Agreements. Provided below is the waterfall associated with each Fund.

### *Fund III, Fund IV and Fund V Waterfalls*

Fund III, Fund IV and Fund V share similar waterfalls. Net proceeds of current income from investments and proceeds from the disposition of any investment as well as distributions of securities in kind ("Investment Proceeds") tentatively will be apportioned among the Partners (including the General Partner) in accordance with their relative capital contributions in respect of such investment. The share of each distribution apportioned to the General Partner and its affiliates (including the Executive Fund) will be distributed to the General Partner and such affiliates, and the share of such distribution tentatively apportioned to a Limited Partner (other than the Special Limited Partner or another affiliate of the General Partner) shall be allocated between the Limited Partner, on the one hand, and the Special Limited Partner, on the other hand, and distributed as follows:

Limited Partners first receive 100% of realized capital and expenses including any investments that have been written off permanently. The Investors then receive 100% of proceeds until they receive a priority return. The Special Limited Partner then receives a catch up until it has received 20% of investment proceeds that are in excess of the Limited Partners Realized Capital and Costs. Finally, all remaining proceeds are split 80% to the Limited Partner and 20% to the Special Limited Partner.

### *Other Fee Information*

The Adviser may exempt certain investors in Private Investment Funds from payment of all or a portion of Advisory Fees and/or carried interest, including any affiliate of the Adviser and any other person designated by the Adviser, such as "friends and family" of the Adviser or its personnel, or other investors meeting certain qualification requirements based on commitment size or other strategic or relationship factors. The General Partner reserves the right to make any such exemption from fees and/or carried interest by a direct exemption, a rebate by MidOcean and/or its affiliates, or through other Private Investment Funds which co-invest with the Adviser. For example, in instances where a MidOcean professional or its affiliate invests in a Fund, such professional or its affiliate 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 Partnership Agreement, the Adviser may have the right to permit investors, affiliated with the Adviser or otherwise, to invest through the relevant General Partner or other vehicles that do not bear Management Fees or carried interest. The Adviser retains flexibility to structure its compensation from investors and expects in certain circumstances to agree to invoice an investor directly for Management Fees or other compensation, rather than deducting such amounts from the investor's capital account(s).

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

Principals or other employees of MidOcean may receive a portion of the Advisory Fee, carried interest or other compensation received by MidOcean or its affiliates.

### *Additional Fees and Expenses*

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 Governing Documents, a Fund bears all fees, costs, expenses, liabilities and obligations relating to the Fund's (and its subsidiaries' and intermediate entities') activities, actual and potential investments and business to the extent not reimbursed by a portfolio company or applied to reduce Management 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, administration, auditing, tax preparation, 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 not in excess of the cost of first class commercial airfare) or ground transportation (including car service), consulting, research (including conferences relating to specific investment opportunities and industries or strategies in which the Fund invests or would potentially invest), 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, break-up or topping fees 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's 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. Generally included in the expenses permitted to be borne by a Fund are the fees, costs, expenses, liabilities and obligations of legal counsel, consultants and/or other service providers to procure, develop, establish, review, revise, customize, upgrade and/or negotiate relationships relating to the foregoing items, which may be significant. 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. In certain cases, these or similar expenses (and/or supplemental fees) are expected to be charged to portfolio companies, capitalized into the cost basis of a transaction or, to the extent necessary or desirable for operational, administrative, tax or other reasons, charged at the level of an intermediate holding company between the relevant Fund and the portfolio company. As is typical for private equity funds, the Funds likely bear additional and greater expenses, directly or indirectly, than many other pooled investment products, such as mutual funds, and there can be no assurance that the benefits to investors will be commensurate with such expenses. To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth in "Brokerage Practices."

The Adviser and/or its affiliates generally have discretion over whether to charge supplemental fees to a portfolio company and, if so, the rate, timing, method and/or amount of such compensation, as well as to charge such amounts at varying levels in a portfolio company's holding or operating structure. In most circumstances, such compensation is not reviewed or approved by an independent third party. The receipt of supplemental fees generally will give rise to potential conflicts of interest between the Funds, on the one hand, and the Adviser and/or its affiliates on the other hand. Unless otherwise agreed with limited partners, supplemental fees generally will be payable without further offset during term extensions, even if Management Fees are reduced or eliminated during the extended term.

The Adviser also undergoes certain projects designed to drive best practices and reduce expenses as its portfolio companies as part of its investment management efforts. To the extent that external consultants or legal is used as part of these efforts and to the extent not reimbursed by portfolio companies, this would be a Fund expense.

In certain cases, a co-investment vehicle may be formed in connection with the consummation of a transaction. If a proposed transaction is not consummated, no such co-investment vehicle generally will have been formed, and the full amount of any Broken Deal Expenses relating to such proposed transaction would therefore be borne by the Fund or Funds selected by the Adviser as proposed investors for such proposed transaction. As a general matter, Broken Deal Expenses are allocated among Fund investors regardless of whether any individual investor negotiated for an elective or automatic contractual right that would have excused them from participating in the investment.

In certain circumstances, one Fund is expected to pay an expense or obligation common to multiple Funds (including, without limitation, legal expenses for a transaction in which all such Funds participate, or other fees or expenses in connection with services the benefit of which are received by other Funds over time), and be reimbursed by the other Funds for their share of such expenses or obligations, without interest.

Where multiple Funds invest in the same company at different times, the first Fund to invest typically will bear a higher level of diligence and transaction fees, costs and expenses than later Funds; similarly, to the extent a transaction does not proceed, the first Fund to invest typically will bear the full amount of Broken Deal Expenses relating to the transaction, regardless of whether other Funds could or would have invested in the company in potential future transactions.

To the extent the Fund makes use of a credit facility to invest in a portfolio company or pay related expenses, it generally will not be reimbursed separately by co-investors for use of the facility.

To the extent holding or intermediate entities include one or more special purpose acquisition companies ("SPACs"), the relevant Fund(s) may bear some or all of the costs of organizing and offering such SPACs, as well as the amount and dilutive effect of any founders' equity or similar interests issued thereby that are not held directly or indirectly by the Fund.

#### **Executive Board Members and Management Affiliates ("Operating Partners")**

Additionally, as further described herein and in the applicable Memorandum and/or Partnership Agreement of each Fund, it is the Adviser's practice to employ, use or retain certain Operating Partners to provide services to (or with respect to) one or more Funds or certain current or prospective portfolio companies in which one or more Funds invest. Such Operating Partners 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 also include serving in management or policy-making positions for portfolio companies. Operating Partners receive compensation, including, but not limited to cash fees, retainers, transaction fees, a profits or equity interest in a portfolio company, incentive equity and stock awards, profits or equity interests in one or more Funds or General Partners, remuneration from the Adviser and/or its Funds or affiliates, guaranteed minimums, or other compensation, the amount of 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 believed to be 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. As described above, no such amounts will offset the Management Fee. The use of Operating Partners subjects the Adviser to conflicts of interest, as discussed under "Conflicts of Interest," below.



## **Environmental, Social and Governance**

Each Fund also will generally bear the costs of implementing, monitoring and complying with investment guidelines and directives relating to the Fund's strategy, including in Side Letters relating thereto and there applicable, environmental, social, governance and other standards to which the relevant General Partner has committed in making investments on behalf of the fund.

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

As disclosed above, the Adviser may receive performance fees from the Funds. Such fees are subject to the terms established in the relevant Partnership Agreement and are taken only on realized gains. The Adviser structures any performance or incentive fee arrangement to comply with Section 205(a)(1) of the Investment Advisors Act of 1940 (the "Advisers Act") and exemptions available thereunder, including the exemption set forth in Rule 205-3. Performance based fee arrangements may create an incentive for MidOcean to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement.

The Adviser also provides co-invest opportunities to certain Limited Partners on a transaction by transaction basis including to MidOcean Partners III-E, LP. Decisions for each co-investment are made by the individual Limited Partner but may, in certain instances, be done through a vehicle controlled by the Adviser. In all cases, co-investors do not pay management fees or carried interest on their co-investment. In addition, they generally do not bear Broken Deal Expenses relating to any deal that is not consummated unless they have committed to such deal. Co-Investment allocations will be allocated in accordance with the Adviser's Co-Investment Allocation Policy and Procedures.

### **Item 7 – Types of Clients**

The Adviser provides portfolio management services to the Funds. Only "qualified purchasers" (as such term is defined in the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder) may invest in the Funds. Fund investors may include high net worth individuals, corporate pension plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, private investment funds, trust programs, sovereign funds, and other U.S. and international institutions.

The Adviser generally requires a minimum investment of \$1,000,000 in the Funds, however, that minimum investment amount may be waived at MidOcean's discretion. Each Fund has a finite fundraising period.

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

The Adviser generally seeks to make control investments primarily in middle market companies in the US, including leveraged buyouts, growth capital, recapitalizations, going private transactions, corporate divestitures, restructurings, industry consolidations and special situations. MidOcean focuses on investing in companies characterized by having solid industry fundamentals and a defensible market position. MidOcean believes that strong returns are generated by investments that combine the opportunity to create value (often through growth initiatives and strategic changes to the business) with strong downside protection. Prior to making an investment, MidOcean assesses and identifies the potential for value creation, balances downside risks and then continually monitors the progress of its strategies.

If the Adviser cannot identify the potential for value creation coupled with downside protection, it will not make the investment. The Adviser seeks to partner with management when possible but will also invest in companies where it can utilize its Management Affiliates, who are senior executives in MidOcean's target industries with significant operating expertise who help the Adviser diligence and develop strategies for target investments, to bolster existing management.

The Adviser pursues a top-down, thematic approach to its target sectors to help identify attractive investment targets. The Adviser targets companies with strong brands, defensible market positions combined with strong management teams and multiple opportunities for growth. MidOcean conducts a thorough and structured evaluation process for each potential investment. The Firm's professionals meet weekly to discuss potential investments and provide updates on current portfolio investments. The decision to proceed with an investment requires the approval of its Managing Director and the unanimous approval of its Investment Committee.

Specific limitations on investments are set forth in the specific Partnership Agreements. In general, the Adviser invests in securities issued by privately held companies, although the Adviser can invest Fund assets in exchange listed stocks, securities traded over-the-counter and securities of foreign issuers subject to any limitations in the Partnership Agreement. The Adviser may also invest on behalf of the Fund in securities that include warrants or the right to warrants at a later date due to the Manager's involvement with the portfolio company.

Although private equity investments offer the opportunity for significant capital gains, such investments involve a high degree of business and financial risk that can result in substantial losses. Investing in securities involves risk of loss that clients should be prepared to bear.

Investors should carefully consider the following risks prior to investing in any private equity fund.

### **Risks of Private Equity Investments**

The investment portfolio will primarily consist of securities issued by companies whose securities are not publicly traded. Although private equity investments offer the opportunity for significant capital gains, such investments involve a high degree of business and financial risk that can result in substantial losses.

### **Availability of Investment Opportunities**

The business of identifying and structuring private investments is competitive and involves a high degree of uncertainty. In addition, the availability of investment opportunities generally will be subject to market conditions, as well as, in some cases, the prevailing regulatory or political climates. Accordingly, there can be no assurances that any Fund will be able to identify and complete attractive investments.

### **Future and Past Performance**

The performance of prior investments made by the Adviser's investment professionals is not necessarily indicative of future results. While the General Partner intends for the Funds to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that any targeted internal rate of return will be achieved. On any given investment, loss of principal is possible.

### **Reliance on the General Partner and Portfolio Company Management**

Fund V has no operating history and will be dependent on the General Partner. Control over the operation of the funds will be vested with the General Partner, and the Funds' future profitability will depend largely upon the business and investment acumen of the Principals. The loss or reduction of service of one or more of the Principals could have an adverse effect on the Fund's ability to realize its investment objectives. In addition, the Principals currently, and may in the future, manage other investment funds besides the Funds and the Principals may need to devote substantial amounts of their time to the investment activities of such other funds, which may pose conflicts of interest in the allocation of the time of the Principals. Limited Partners generally have no right or power to take part in the management of the Funds, and as a result, the investment performance of the Funds will depend on the actions of the General Partner. In addition, certain changes in the General Partner or circumstances relating to

the General Partner may have an adverse effect on the Funds or one or more of its portfolio companies including potential acceleration of debt facilities.

Although the General Partner will monitor the performance of each Fund investment, it will primarily be the responsibility of each portfolio company's management team to operate such portfolio company on a day-to-day basis. Although the Funds generally intend to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the management of such companies will be able or willing to successfully operate a company in accordance with the Fund's objectives.

#### **Limited Access to Information**

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

#### **Projections**

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

#### **Concentration of Investments**

The Funds may seek to make several investments in one industry or one industry segment. As a result, the investment portfolios could become concentrated and aggregate returns may be affected substantially by the performance of a few holdings. Furthermore, to the extent that the Adviser is in a fundraising period, if capital raised is less than the targeted amount, the Fund may invest in fewer portfolio companies and thus be less diversified.

#### **Investments in Junior Securities**

The Funds generally invest in the most junior securities in a company's capital structure and, therefore, subject to the greatest risk of loss. Generally, there will be no collateral to protect an investment.

### **Lack of Sufficient Investment Opportunities**

The business of identifying, structuring and completing private equity transactions is highly competitive and involves a high degree of uncertainty. It is possible that Fund V will never be fully invested if enough sufficiently attractive investments are not identified. However, Limited Partners in Fund V will be required to bear Management Fees through the Fund during the Investment Period based on the entire amount of the Limited Partners' Commitments and other expenses as set forth in the Partnership Agreement.

### **Dynamic Investment Strategy**

While the General Partner generally intends to seek attractive returns for the Funds primarily through making private equity investments as described herein, the General Partner may pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process and investment techniques as it determines appropriate. The General Partner may pursue investments outside of the industries and sectors in which the Principals have previously made investments or have internal operational experience.

### **Leverage**

The Funds may make use of leverage by having a portfolio company incur debt to finance a portion of its investment in such portfolio company, including in respect of companies not rated by credit agencies. Leverage generally magnifies both the Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of the Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of the 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, the Funds may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the 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. Moreover, the companies in which the Fund will invest generally will not be rated by a credit rating agency.

### **Long-Term Investments**

The return of capital and the realization of gains, if any, will occur only upon the partial or complete disposition of an investment. Most investments will not be sold or distributed for a number of years after they are made. Prior to such time, there generally will be no current return on those investments.

### **Risks of Realization of Investments; Illiquidity**

Given the nature of the investments, there is a significant risk MidOcean will be unable to realize its investment objectives by sale or other disposition at attractive prices or otherwise will be unable to complete any exit strategy. In particular, these risks could arise from changes in the financial condition or prospects of the companies in which the Funds have invested, changes in national or international economic or political conditions (including acts of war, terrorism or other calamity or crisis), adverse conditions in national or global financial or capital markets, or changes in laws, regulations, fiscal policies or political conditions of countries in which investments are made or operate.

The investments will consist primarily of securities that are not publicly traded and may require a substantial length of time to liquidate. Securities will not be able to be sold publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. The ability to dispose of investments may be dependent, in part, on the IPO market, which fluctuates in terms of both volume of transactions as well as the types of companies that are able to access the market. In addition, in some cases MidOcean may be prohibited by contract or by applicable securities laws from selling such securities for a period of time or otherwise be restricted from disposing of such securities. The proceeds of certain investments may be distributed to Limited Partners in kind.

### **Director Liability**

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

### **Delayed Schedule K-1s**

The Funds may not be able to provide final Schedule K-1s to Limited Partners for any given fiscal year until after April 15 of the following year. The General Partner will use its reasonable efforts to provide Limited Partners with final Schedule K-1s on or before such date, but final Schedule K-1s may not be available until the Fund has received tax-reporting information from its portfolio companies necessary to prepare final Schedule K-1s and to complete the Fund's annual audit. Limited Partners may be required to obtain extensions of the filing dates for their U.S. federal, state and local income tax returns. Each prospective investor should consult with its own adviser as to the advisability and tax consequences of an investment in the Fund.

### **Advisory Board**

The General Partner will appoint one or more Limited Partner representatives to the Advisory Board. The Partnership Agreement may provide that to the fullest extent permitted by applicable law, none of the Advisory Board members shall have any fiduciary duties to the Fund or any other Partner. In addition, the representatives of the Advisory Board may have various business and other relationships with the Management Company and its partners, employees and affiliates. These relationships may influence their decisions as Members of the Advisory Board.

### **Non-Controlling Investments**

The Funds may hold meaningful minority stakes in privately held companies and in some cases may have limited minority protection rights. In addition, during the process of exiting investments, the Fund at times may hold minority equity stakes of any size such as might occur if portfolio companies are taken public. As is the case with minority holdings in general, such minority stakes that the Fund may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. Where the Fund holds a minority stake, it may be more difficult for the Fund to liquidate its interests than it would be had the Fund owned a controlling interest in such company. Even if the Fund has contractual rights to seek liquidity of the Fund's minority interests in such companies, it may be very difficult to sell such interests or seek a sale of such company upon terms acceptable to the Fund, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals.

### **Limitations on Transfer; No Market for Limited Partner Interests**

Limited Partners will not be permitted to transfer or pledge their limited partner interests in the Funds without the consent of the General Partner. Furthermore, the transferability of limited partner interests in the Funds is subject to certain restrictions contained in the relevant Partnership Agreement and will be affected by restrictions imposed under applicable securities laws. In general, withdrawals by Limited Partners are not permitted. There is currently no efficient market for limited partner interests in private equity funds, and it is not expected that one will develop.

### **Regulatory Clearances and Approvals affect Certain Investments**

Some of the companies in which the Funds invest may be subject to government regulation in the United States, Europe and/or elsewhere. The products or services of such companies are dependent upon obtaining regulatory clearances and approvals in various jurisdictions. The process of obtaining these approvals can be lengthy, expensive and uncertain, and there is no assurance that these approvals will be obtained. Failure to obtain these approvals could have a significant adverse effect on a portfolio company's performance or a Fund's ability to dispose of these investments in the portfolio company at an attractive time or price.

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

The United States, pursuant to the "Foreign Account Tax Compliance Act" or "FATCA" has entered into numerous intergovernmental agreements with various jurisdictions concerning the exchange of information as a means to combat tax evasion. The United Kingdom has entered into similar agreements with various jurisdictions. Other countries are also considering such agreements, and the OECD has proposed a worldwide tax information exchange standard that is likely to be adopted by many countries for years after 2015. One or more of these information exchange regimes are likely to apply to the Fund and/or alternative investment vehicles, and may require the General Partner to collect and share with applicable taxing authorities information concerning Limited Partners (including identifying information and amounts of certain income allocable or distributable to them). In addition, FATCA generally imposes a withholding tax of 30% on a non-U.S. entity's share of most payments attributable to investments in the United States, including dividends, interest, and gross proceeds of a disposition of stock, unless an exception applies. The Fund may be required to withhold such taxes from certain non-U.S. Limited Partners, unless an exception applies.

### **New Rules Regarding U.S. Federal Income Tax Liability resulting from IRS Audits**

For taxable years of Fund V beginning on or after January 1, 2018 (or earlier, if the Fund so elected), U.S. federal income taxes arising from an IRS audit will be paid by Fund V absent an election to the contrary. In addition, a newly designated "partnership representative" will have the power to act on behalf of the Fund and its Partners in all IRS audits and other proceedings involving Fund V's U.S. federal income, loss, deductions and credits. These new rules may be less favorable than current partnership audit rules for certain Partners in certain cases.

### **Conflicting Investor Interests**

Limited Partners may have conflicting investment, tax, and other interests with respect to their investments in the Funds, including conflicts relating to the structuring of investment acquisitions and dispositions. Conflicts may arise in connection with decisions made by the General Partner regarding an investment that may be more beneficial to one Limited Partner than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments, the General Partner generally will consider the investment and tax objectives of the Fund and its Partners as a whole, not the investment, tax, or other objectives of any Limited Partner individually.

### **Need for Follow-On Investments**

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

### **Dilution**

Limited Partners admitted or that increase their respective Commitments to the Fund at subsequent closings generally will participate in then-existing investments of the Fund, thereby diluting the interest of existing Limited Partners in such investments. Although any such new Limited Partner will be required to contribute its pro rata share of previously made capital contributions, there can be no assurance that this contribution will reflect the fair value of the Fund's existing investments at the time of such contributions.

### **Hedging Arrangements**

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

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

Certain hedging arrangements may create for the General Partner and/or one of its affiliates an obligation to register with the U.S. Commodity Futures Trading Commission or other regulator or comply with an applicable exemption.

### **Non-United States Investments**

Certain companies may be based and/or will operate outside the United States. Investments in non-United States securities involve certain risks not typically associated with investing in United States securities, including risks relating to (a) currency exchange matters, including fluctuations in the rate of exchange between the United States dollar and the various other currencies (b) differences between the United States and non-United States securities markets, including potential price volatility in and relative liquidity of some non-United States securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation, (c) certain economic, social and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital,

the risks of political, economic or social instability and the possibility of expropriation or confiscatory taxation and (d) the possible imposition of non-United States taxes on income and gains recognized with respect to such securities.

### **Significant Adverse Consequences for Default**

The Partnership Agreement for Fund V provides for significant adverse consequences in the event a Limited Partner defaults on its Commitment or any other payment obligation. In addition to losing its right to potential distributions from the Fund, a defaulting Limited Partner may be forced to transfer its interest in the Fund for an amount that is less than the fair market value of such interest and that may be paid over a period of up to ten years, without interest.

### **Disclosure of Information**

Certain Limited Partners will be subject to state public records or similar freedom of information laws, which may compel public disclosure of confidential information regarding the Fund, its investments, and its Limited Partners. There has been a recent increase in the number of requests under such laws or contracts (including the Fund Agreements, subscription agreement and any Side Letter) that investors in private equity funds that are subject to such laws have in place with such private equity funds. The Fund may incur expenses in connection with responding to any such disclosure requests, even if the Fund ultimately succeeds in asserting confidentiality for any requested documentation. Moreover, notwithstanding the obligation that the Limited Partners will have pursuant to the Fund Agreements to maintain the confidentiality of the Fund information \, there can be no assurance that such information will not be disclosed either publicly or to regulators, law enforcement agencies or otherwise, including for purposes of complying with regulations or policies to which the Fund, the General Partner, the Management Company, their affiliates, portfolio companies or service providers to any of them may be or become subject. In addition, under the Dodd-Frank Act, the SEC has authority to require private equity fund advisers, such as the Management Company, to file additional reports with the EC regarding their funds and investment activities Any public disclosure of the Fund information could have an adverse effect on the Fund and its investors.

### **Restricted Nature of Investment Positions**

Generally, there will be no readily available market for Fund investments, and hence, most of the Fund's investments will be difficult to value. Certain investments may be distributed in kind to the Partners 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 Partnership Agreement, including the value used to determine the amount of carried interest available to the General Partner with respect to such investment.

### **Limited Transferability of Fund Interests**

There will be no public market for interests in the Funds, and none is expected to develop. There are substantial restrictions upon the transferability of Fund interests under the Partnership Agreement and applicable securities laws. In general, withdrawals of Fund interests are not permitted. In addition, Fund interests are not redeemable.



### **Consequences of Failure to Make Payment in Full**

If a limited partner fails to fund any installment of its capital commitment or to make any other payment to a Fund when due, the defaulting Limited Partner may be required, among other things, to forfeit a substantial portion of its capital account and rights to future profits (but not losses) that otherwise would have been allocable to the limited partner. The General Partner may designate a person or entity to assume the entire unpaid balance of the defaulting limited partner's capital commitment and succeed to all of the rights of the defaulting Limited Partner's interest. In addition, the General Partner may take other actions provided in the Partnership Agreement and pursue any available legal or equitable remedies, with the expenses of collection of the unpaid amount, including attorneys' fees, to be paid by the defaulting limited partner.

### **General Partner's Carried Interest**

The fact that the General Partner's carried interest is based on a percentage of net profits may create an incentive for the General Partner to cause the Fund to make riskier or more speculative investments or to hold an investment longer than otherwise would be the case.

### **Transfer by General Partner**

To the extent the General Partner, its partners, the Principals and/or their respective affiliates commit to make a direct or indirect investment in or along-side the Fund, a participation in or a portion of such investment may thereafter be transferred to estate planning vehicles or entities or other members of the General Partner, its partners, the Principals and/or their respective affiliates, subject to any express limitations thereon in the Partnership Agreement.

### **Public Company Holdings**

The Fund's investment portfolio may contain securities issued by publicly held companies. Such investments may subject the Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Fund to dispose of such securities and debt at certain times, increased likelihood of shareholder litigation and insider trading allegations against such companies' executives and board members, including the Principals, and increased costs associated with each of the aforementioned risks.

### **Material Non-Public Information**

As a result of the operations of the Adviser and its affiliates, as well as in connection with officerships or directorships of Adviser personnel, the Adviser frequently comes into possession of confidential or material non-public information or be restricted from initiating transactions in certain securities. The Funds are not free to act upon such information. For example, due to these restrictions, the Fund may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

### **Distressed Investments**

The Fund portfolio may contain securities and obligations, including debt obligations that are in covenant or payment default, of companies experiencing significant financial difficulties and material operating issues, including companies that may have been, are or will become involved in bankruptcy proceedings or other restructuring, recapitalization or liquidation processes. Investments in such companies involve a substantial degree of risk that is generally higher than the risk involved in investing in companies that are not in financial

or operational distress. Given the heightened difficulty of the financial analysis required to evaluate distressed companies, there can be no assurance that the General Partner will correctly evaluate the value of the assets of a distressed company securing its debt and other obligations or correctly project the prospects for the successful restructuring, recapitalization or liquidation of such company. Therefore, in the event that a portfolio company does become involved in bankruptcy proceedings or a restructuring, recapitalization or liquidation is required, the Fund may lose some or all of its investment or may be required to accept illiquid securities with rights that are materially different than the original securities in which the Fund invested.

#### **Imposition of Tax Regardless of Cash Distributions**

Partners will be required to recognize for United States income tax purposes their pro rata share of the taxable net income of the Funds, whether or not the Partner received distributions from the Fund to cover such tax liabilities. Funds may generate taxable income for a Partner even though the value of the Partner's interest has declined.

#### **Limitation of Recourse and Indemnification**

The Partnership Agreement will limit the circumstances under which the General Partner and its affiliates will be held liable to the Fund. As a result, Limited Partners may have a more limited right of action in certain cases than they would have in the absence of such provision. In addition, the Partnership Agreement will provide that the Fund will indemnify the General Partner and its affiliates for certain claims, losses, damages and expenses arising out of their activities on behalf of the Fund. Such indemnification obligations could materially impact the returns to Limited Partners.

#### **Uncertain Economic and Political Environment**

The current global economic and political climate is one of uncertainty. Acts of terrorism in the United States and abroad, the threat of additional terrorist strikes, war in various strategic locations in the world and the fear of a prolonged global conflict have exacerbated volatility in the financial markets and may cause consumer, corporate and financial confidence to weaken, increasing the risk of a "self-reinforcing" economic downturn. In addition, wholesale natural disasters can also effect the economic environment. The climate of uncertainty increases the difficulty of modeling market conditions, reducing the accuracy of the financial projections.

#### **Public Health Emergencies; COVID-19**

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

##### *COVID-19*

Currently, there is an ongoing outbreak of a novel and highly contagious form of coronavirus ("COVID-19"), which the World Health Organization formally declared in March 2020 to constitute a global "pandemic." This outbreak has caused a worldwide public health emergency, straining healthcare resources and resulting in extensive and growing numbers of infections, hospitalizations and deaths. In an effort to contain COVID-19, national, regional and local governments, as well as private businesses and other organizations, have taken severely restrictive measures, including instituting local and regional quarantines, restricting travel (including closing certain international borders), prohibiting public activity (including "stay-at-home" and similar orders), and ordering the closure of large numbers of offices, businesses, schools, and other public venues. As a result, COVID-19 has significantly diminished global economic production and activity of all kinds and has contributed to both volatility and a severe decline in all financial markets. Among other things, these unprecedented developments have

resulted in material reductions in demand across most categories of consumers and businesses, dislocation (or in some cases a complete halt) in the credit and capital markets, labor force and operational disruptions, slowing or complete idling of certain supply chains and manufacturing activity, and strain and uncertainty for businesses and households, with a particularly acute impact on industries dependent on travel and public accessibility, such as transportation, hospitality, tourism, retail, sports and entertainment.

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

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

## **Market Conditions**

The capital markets have experienced great volatility and financial turmoil. Moreover, governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) may have a negative effect on market conditions. General fluctuations in the market prices of securities and economic conditions generally may reduce the availability of attractive investment opportunities for the Fund and may affect the Fund's ability to make investments. Instability in the securities markets and economic conditions generally (including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates) may also increase the risks inherent in the Fund's investments and could have a negative impact on the performance and/or valuation of the portfolio companies. The Fund's performance can be affected by deterioration in the capital markets and by market events, such as the onset of the credit crisis in the summer of 2007 or the downgrading of the credit rating of the U.S. in 2011, which, among other things, can impact the public market comparable earnings multiples used to value privately held portfolio companies and investors' risk-free rate of return. Movements in foreign exchange

rates may adversely affect the value of investments in portfolio companies and the Fund's performance. Volatility and illiquidity in the financial sector may have an adverse effect on the ability of the Fund to sell and/or partially dispose of its portfolio company investments. Such adverse effects may include the requirement of the Fund to pay break-up, termination or other fees and expenses in the event the Fund is not able to close a transaction (whether due to the lenders' unwillingness to provide previously committed financing or otherwise) and/or the inability of the Fund to dispose of investments at prices that the General Partner believes reflect the fair value of such investments. The impact of market and other economic events may also affect the Fund's ability to raise funding to support its investment objective.

#### **Deterioration of Credit Markets May Affect Ability to Finance and Consummate Investments**

The recent deterioration of the global credit markets has made it more difficult for investment funds such as the Fund to obtain favorable financing for investments. A widening of credit spreads, coupled with the deterioration of the sub-prime and global debt markets and a rise in interest rates, has dramatically reduced investor demand for high yield debt and senior bank debt, which in turn has led some investment banks and other lenders to be unwilling to finance new private equity investments or to only offer committed financing for these investments on unattractive terms. The Fund's ability to generate attractive investment returns may be adversely affected to the extent the Fund is unable to obtain favorable financing terms for its investments. Moreover, to the extent that such marketplace events are not temporary and continue, they may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Such an economic downturn could adversely affect the financial resources of corporate borrowers in which the Fund has invested and result in the inability of such borrowers to make principal and interest payments on outstanding debt when due. In the event of such defaults, the Fund may suffer a partial or total loss of capital invested in such companies, which could in turn have an adverse effect on the Fund's returns. The continued credit crisis in Greece, for example, and acute concerns over debt levels of other European Union member states such as Italy and Spain and austerity measures, have led to renewed concerns and volatility in global credit and equity markets. The continued participation of various European countries in the common euro currency and the relative strength and continued existence of that currency have become subject to recent speculation. Such speculation, the occurrence of any such events and/or weakness or volatility in the euro's relative valuation could have a substantial negative impact on the Fund and its investments, including by triggering other adverse financial, economic and political events in Europe, the U.S. or elsewhere, making it more difficult to acquire, manage and sell portfolio companies with substantial euro exposure (either directly or indirectly), causing unexpected volatility in euro denominated obligations and creating uncertainty that may reduce consumer demand, adversely affect lenders' willingness to lend money or cooperate in restructuring existing obligations or otherwise adversely affect the ability of the Fund to execute on its investment strategies. Such marketplace events also may restrict the ability of the Fund to realize its investments at favorable times, for favorable prices and/or with favorable terms. Additionally, the Fund may be required to pay break-up, termination or other fees or expenses even if the Fund is willing to close on an investment if it is ultimately unable to close on such investment due to a lender's unwillingness to provide previously committed financing.

#### **Pay-to-Play Laws, Regulations and Policies**

A number of states and municipal pension plans have adopted so-called "pay-to-play" laws, regulations or policies which prohibit, restrict or require disclosure of payments to (and/or certain contacts with) state officials by individuals and entities seeking to do business with state entities, including those seeking investments by public retirement funds. The SEC has adopted a rule that, among other things, prohibits an investment adviser from providing advisory services for compensation to a government client for two years after the adviser or certain of its executives or employees makes a contribution to certain elected officials or candidates. If MidOcean, the General Partner, any of their employees or affiliates or any service provider acting on their behalf fails to comply with such laws, regulations or policies, such non-compliance could have an adverse effect on the Fund. Limited Partners may

also seek to pursue individual remedies, including withdrawal rights, which may be included in Side Letters or otherwise imposed by statute.

### **Anti-Corruption Law Considerations**

MidOcean and the Fund are committed to complying with the aspects of the U.S. Foreign Corrupt Practices Act (“FCPA”), the Bribery Act (“UKBA”) and other anti-corruption and anti-bribery laws and regulations, as well as anti-boycott regulations, to which they are subject. As a result, the Fund may be adversely affected or miss out on opportunities because of its or the Adviser’s unwillingness to participate in transactions that potentially violate such laws and regulations. Such laws and regulations may make it difficult in certain circumstances for the Fund to act successfully on investment opportunities and for portfolio companies to obtain or retain business.

In recent years, the U.S. Department of Justice and the SEC have devoted greater resources to enforcement of the FCPA. In particular, U.S. regulators recently have been focused on private equity firms and their compliance with the FCPA. In addition, the United Kingdom has significantly expanded the reach of its anti-bribery laws. The UK government passed into law the UKBA in 2010. The UKBA criminalizes both the bribery of foreign public officials and commercial bribery. The UKBA also makes provision for a strict liability corporate offense of failing to prevent bribery committed by employees or third parties associated with a company. The corporate offense applies to any organization which carries on business or part of a business in the UK. The corporate offense is subject to an affirmative defense which is engaged if a company can show that it had in place adequate procedures to prevent bribery committed on its behalf.

While MidOcean has developed and implemented policies and procedures designed to ensure strict compliance by MidOcean and its personnel with the FCPA and the UKBA, such policies and procedures may not be effective in all instances to prevent violations. In addition, in spite of MidOcean’s policies and procedures, affiliates of portfolio companies, particularly in cases where the Fund or another MidOcean sponsored fund or vehicle does not control such portfolio company, may engage in activities that could result in FCPA and/or UKBA violations. Any determination that MidOcean has violated the FCPA, the UKBA or other applicable anti-corruption laws or anti-bribery laws could subject it to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and/or a general loss of investor confidence, any one of which could adversely affect MidOcean’s business prospects and/or financial position, as well as the Fund’s ability to achieve its investment objective and/or conduct its operations.

### **Risks Arising from Providing Management Company Assistance**

The General Partner will use its reasonable best efforts to conduct the affairs of the Fund so that its assets should not constitute “plan assets” under ERISA, whether by causing the Fund to comply with the “venture capital operating company” exception (the “VCOC exception”), or by limiting the total value of each class of interests in the Fund held by “benefit plan investors” (as defined in Section 3(42) of ERISA) to less than 25% or by relying on another available exception. Reliance on the VCOC exception would require that the Fund obtain rights to participate substantially in, and to influence substantially the conduct of, the management of the majority (valued at cost) of the Fund’s portfolio companies. One way the Fund would likely demonstrate these management rights would be to designate directors to serve on the boards of directors of portfolio companies. The designation of directors and other measures contemplated could expose the assets of the Fund to claims by a portfolio company, its security holders and its creditors. In addition, in the event the Fund is operated as a VCOC, the Fund may be restricted or precluded from making certain investments or limited in structuring investments and it may be necessary for the General Partner to liquidate the Fund’s investments at a disadvantageous time or on

disadvantageous terms in order to avoid holding ERISA “plan assets”, resulting in lower proceeds to the Fund than might have been the case had the Fund not been operated as a VCOC.

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

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

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

### **Alternative Investment Fund Managers Directive**

The EU Alternative Investment Fund Managers Directive (the “AIFMD”) regulates the activities of certain private fund managers undertaking fund management activities or marketing fund interests to investors within the European Economic Area (“EEA”). As Fund V was actively marketed to investors domiciled or having their registered office in the EEA in circumstances where no transitional relief was available (i) the Fund is subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which may result in the Fund incurring additional costs and expenses; (ii) the Fund and/or the General Partner may become subject to additional regulatory or compliance obligations arising under national law in certain EEA jurisdictions, which may result in the Fund incurring additional costs and expenses or otherwise affect the management and operation of the Fund; (iii) the General Partner may be required to make detailed information relating to the Fund and its investments available to regulators and third parties; and (iv) the AIFMD may also restrict certain activities of the Fund in relation to EEA portfolio companies including, in some circumstances, the Fund’s ability to recapitalize, refinance or potentially restructure an EEA portfolio company within the first two years of ownership. In addition, it is possible that some EEA jurisdictions will elect to restrict or prohibit the marketing of non-EEA funds to investors based in those jurisdictions, which may make it more difficult for the Fund to raise its targeted amount of Commitments.

### **United Kingdom (“UK”) Exit from the European Union (the “EU”)**

On March 29, 2017, the United Kingdom formally notified the European Council of its intention to leave the EU (“Brexit”). The UK formally left the EU on January 31, 2020, and entered a transition period that ended on December 31, 2020. On December 24 2020, the UK government and the EU Commission provisionally agreed a trade and cooperation agreement governing their future relationship, which, following a ratification process, is expected to apply on a provisional basis through an additional transition period. Although provisionally agreed, the terms of UK’s ongoing and future relationship with the EU are still uncertain, including the extent to which UK businesses will have access to the EU single market and the extent to which EU businesses have access to the UK market. There is also risk of significant disruption to trade between the UK and the EU, particularly as new trade

arrangements are intended to be ratified and implemented. There can be no assurance that any renegotiated laws or regulations will not have an adverse impact on a Fund and its investments, including the ability of a Fund to achieve its investment objectives.

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

### **Valuation of Investments**

There is not expected to be an actively traded market for most of the securities owned by the Fund. When estimating fair value, the General Partner will apply a methodology it determined 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. There can be no assurance that the General Partner will have all the information necessary to make valuation decisions in respect of these investments, or that any information provided by third parties on which such decisions are based will be correct. In addition, 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.

### **Subscription Lines**

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

## **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.

## **Privacy and Data Protection Law Compliance Risk**

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

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

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

## **Litigation**

In the ordinary course of its business, the Funds may be subject to litigation from time to time. The outcome of such proceedings may materially adversely affect the value of the Fund and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of the General Partner's and the Principals' time and attention, and that time and devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.



## **Conflicts among Partners**

Investment in the Funds may involve complex tax, structural and other considerations that may differ for individual investors. Furthermore, it is possible that individual Partners may have conflicting interests with regard to the nature of investments made by the Funds and the structuring and realization of such investments.

## **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 for the account of other funds, 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 Partnership Agreement, 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, one or more other Funds, 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 best 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.

Currently, the Adviser manages the Funds, and as a result, conflicts of interest may arise in allocating management time, services or functions among such entities. It is possible that one of these Funds will invest in or have an investment in a company that is or becomes a competitor of a portfolio company of another Fund. Such investment could create a conflict between the Funds managed by the Adviser. Additionally, the Special Limited Partner (whose partners include owners and employees of the Adviser and its affiliates) receives a carried interest in the Funds. Because the carried interest is payable only on profits, partners of the Special Limited Partner may have an interest in increasing profits on assets at the expense of a more conservative investment strategy that focuses on the return of invested capital.

During the commitment period of a Fund, all appropriate investment opportunities will be pursued by MidOcean principals through such Fund, subject to certain limited exceptions. Without limitation, MidOcean principals currently, and may in the future, manage several other investments similar to those in which a Fund will be investing, and may direct certain relevant investment opportunities to those investments. In addition, the Principals may direct certain investments to the Aerospace, Transportation and Logistics Fund II, LP, a vehicle that will invest in certain industries that the General Partner does not target for the Funds, and in which certain MidOcean affiliates are expected to have economic interests. MidOcean's principals and MidOcean's investment staff will continue to manage and monitor such investment until their realization, although the Principals expect that the time required to do will be less than will be spent on matters relevant to the Funds. The General Partner believes that the significant investment of the Principals in the Funds, as well as the Principals' interest in the carried interest, operate to align, to some extent, the interest of the Principals with the interest of the Partners, although the Principals have or may have economic interests in such other investment funds and investments as well and receive management fees and carried interests relating to these interests. Such other investment funds and investments that the Principals may control or manage may compete with the Fund or companies acquired by the Fund. Such other investments that MidOcean principals may control or manage may potentially compete with companies acquired by a Fund. Following the commitment period of a Fund or at such time as the General Partner is permitted to raise a successor investment fund to the Fund, the Principals will continue to manage the Fund's investments, but also may and likely will focus investment activities on other opportunities and areas unrelated to the Fund's investments. Certain investments may be allocated between the Fund and any successor or predecessor fund, or to other persons, in a manner as set forth in the Partnership Agreement.

From time to time, MidOcean will be presented with investment opportunities that would be suitable not only for a Fund, but also as follow on investments in other Funds. In determining which investment vehicles should participate in such investment opportunities, MidOcean and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. When and to the extent that employees and related persons of MidOcean and its affiliates make capital investments in certain Funds, MidOcean and its affiliates are subject to conflicting interests in connection with these investments. There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would be as favorable as it would have been had such conflict not existed.

The Adviser must first determine which Fund(s) will or are required to participate in the relevant investment opportunity. The Adviser generally assesses whether an investment opportunity is appropriate for a particular Fund based on the Fund's Partnership Agreement, as well as factors including but not limited to: investment restrictions and objectives (including those set forth in the relevant client'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. For example, a newly organized Fund generally will seek to purchase a disproportionate amount of investments until it is substantially invested. A Fund may invest together with other Funds advised by an affiliated adviser of the Adviser in the manner set forth in the relevant Partnership Agreements and the Adviser's Allocation Policy. The Adviser will determine the allocation of investment opportunities among Funds in a manner that it believes is fair and equitable consistent with the Adviser's obligations and may take into consideration factors such as those set forth above.

Following such determination of allocation among Funds, the Adviser will determine if the amount of an investment opportunity in which one or more Funds will invest exceeds the amount that would be appropriate for such Fund(s) and any such excess may be offered to one or more potential co-investors, including third parties, as determined by the Funds' Partnership Agreements, Side Letters and the Adviser's procedures regarding allocation. The Adviser's procedures permit it to take into consideration a variety of factors in making such determinations, including but not limited to: expressed interest in co-investment opportunities; expertise of the prospective co-investor in the industry to which the investment opportunity relates; perceived ability to quickly execute on transactions; tax, regulatory, securities laws and/or other legal considerations (e.g., qualified purchaser or qualified institutional buyer status); confidentiality concerns that may arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity; perceived ease of process in coordinating or completing the investment with the prospective co-investor or co-investors similar thereto; the Adviser's perception of whether the investment opportunity may subject the prospective co-investor to legal, regulatory, reporting, or other burdens that make it less likely that the prospective co-investor would act upon the investment opportunity if offered or would impair the Adviser's ability to execute the relevant transaction in the desired time or on desired terms; size of the investment allocation and practicality of dividing it up among multiple co-investors; lender requirements; perceived public relations and reputational benefits or costs; and whether the Adviser believes that allocating investment opportunities to an investor or person will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant portfolio company, other portfolio companies, the Funds or the Adviser. The Adviser may grant certain third-party investors the opportunity to evaluate specified amounts of prospective co-investments in Fund portfolio companies or otherwise to have a priority in co-investment opportunities.

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 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.

Additionally, because the Adviser's carried interest is based on a percentage of net realized profits, it may create an incentive for MidOcean to cause a Fund to make riskier or more speculative investments than would otherwise be the case. Also, because there is a fixed investment period after which capital from investors in a 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 MidOcean may not otherwise have done so.

Subject to any relevant restrictions or other limitations contained in the Partnership Agreements 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 best 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. 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.

Additionally, a portfolio company typically will reimburse MidOcean or service providers retained at MidOcean's discretion for expenses (including without limitation travel expenses) incurred by MidOcean or such service providers in connection with its performance of services for such portfolio company. This subjects MidOcean 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. MidOcean determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices. Although the amount of individual reimbursements typically is not disclosed to investors in any Fund, their effect is reflected in each Fund's audited financial statements, and any fee paid or expense reimbursed to MidOcean or such service providers generally is subject to: agreements with sellers, buyers and management teams; the review and supervision of the board of directors of or lenders to portfolio companies; and/or third party co-investors in its transactions. These factors help to mitigate related conflicts of interest.

MidOcean generally exercises its discretion to recommend to a Fund or to a portfolio company thereof that it contracts for services with (i) a related person of MidOcean (which may include a portfolio company of such Fund), (ii) an entity with which MidOcean or its affiliates or current or former members of their personnel has a relationship or from which MidOcean 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 MidOcean 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), would favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. The Adviser will not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio company to incur) such expenses. Although the Adviser generally seeks appropriate rates for

services, it reserves the right to prioritize prior usage, perceived sector competence or expertise, familiarity, onboarding speed or other factors in retaining or recommending service providers. In certain circumstances where the Adviser commits or has committed to seek “market” or “arms-length” rates or terms, the Adviser will do so in its sole discretion, seeking rates that it has determined in its sole discretion to be reflective of the range of rates in the applicable or related markets. Consequently, the Adviser undertakes no minimum amount of benchmarking, and does not represent that any such benchmarking relates specifically to the assets or services to which such rates or terms relate. Whether or not MidOcean 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, typically pay certain fees to third party consultants (including consultants introduced or arranged by MidOcean and/or its affiliates that may 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 MidOcean resources or otherwise are associated with MidOcean. MidOcean and/or its affiliates reserve the right to 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 generally receive investment opportunities, reimbursements and other compensation that do not offset or reduce the Management Fee of any Fund, as described herein. Although the use of operating partners and the allocation of compensation paid to them by MidOcean, its affiliates and/or the portfolio companies may subject MidOcean and/or its affiliates to potential conflicts of interest. MidOcean 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 MidOcean 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. MidOcean also seeks to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that MidOcean believes will align such persons’ interests with those of the Funds’ limited partners and seeks to use or 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 General Partner, the Fund and the portfolio companies may from time to time retain other companies and individuals (“Special Consultants”), which may be affiliates of the General Partner, employees of such affiliates, portfolio companies of other funds managed by the General Partner or its affiliates, members of the Executive Board, Management Affiliates and/or other third party consultants (including individual consultants and external executives), “operating partners,” “strategic partners,” “executive partners” or “senior advisors.” The Special Consultants may be engaged to provide services to, or in connection with, the Fund in relation to its activities or one or more portfolio companies in relation to the identification, acquisition, holding, improvement and disposition of such portfolio companies, including operational aspects of such companies (“Services”). Pursuant to the Partnership Agreement, fees and expenses associated with the Services (collectively “Consulting Fees and Expenses”), may be paid and/or reimbursed by applicable portfolio companies and/or the Fund. Consulting Fees and Expenses may, at the discretion of the General Partner taking into account the particular Services, include transaction fees, a profits or equity interest in a portfolio company depending on their role within the company, profits or equity interests in the Fund, standard board fees and compensation, or other compensation, which may be 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, depending on their role within the company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such company. No

such Consulting Fees and Expenses will offset the Management Fee. The use of Special Consultants subjects MidOcean to conflicts of interest, as discussed herein.

Since the Adviser is permitted to receive certain supplemental fees (as described under “Fees and Compensation”) in connection with Fund investments, it expects to be subject to a potential conflict of interest in connection with approving transactions and setting such compensation. Additionally, the Adviser, its personnel, affiliates or others designated by Adviser expect from time to time to receive compensation in the form of portfolio company securities. To the extent any such securities are received, after any applicable offset provisions in the Governing Documents are applied, the Adviser and/or such other recipients will be permitted to retain such securities as supplemental Fees, and in doing so will be subject to potential conflicts of interest in determining whether to sell such securities (subject to restrictions imposed by the portfolio company and/or the Adviser or retain such securities for a period consistent with their own financial and investment objectives, which may differ from those of the relevant Fund). In addition, because portfolio company securities typically represent newly issued incentive equity (whether in the form of common stock, warrants or options to buy common stock, or similar instruments), the receipt of compensation in the form of securities typically has the result of diluting a Fund’s relative ownership of the portfolio company awarding such compensation.

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

From time to time, MidOcean, its affiliates and personnel and persons selected by them expect to receive the benefit of “friends and family” and similar discounts from portfolio companies owned by the Funds under which such portfolio companies make their goods and/or services available at reduced rates. Because its portfolio companies offer such discounts to customers other than the Adviser and such persons as part of their standard commercial practices in an effort to expand their respective customer bases, the Adviser believes that the potential for conflicts of interest relating to such discounts is mitigated. MidOcean, its affiliates and personnel generally refrain from requesting or negotiating for such discounts in the ordinary course.

In connection with its services to the Funds and their investments, the Adviser, its affiliates and personnel expect to receive the benefit of certain tangible and intangible benefits. For example, in the course of the Adviser’s operations, including research, due diligence, investment monitoring, operational improvements and investment activities, the Adviser and its personnel expect to receive and benefit from information, “know-how,” experience, analysis and data relating to Fund or portfolio company (as applicable) operations, terms, trends, market demands, customers, vendors and other metrics (collectively, “Adviser Information”). In many cases, Adviser Information will include tools, procedures and resources developed by the Adviser to organize or systematize Adviser Information for ongoing or future use. Although the Adviser expects its Funds and their portfolio companies generally to benefit from the Adviser’s possession of Adviser Information, it is possible that any benefits will be experienced solely by other or future Funds or portfolio companies and not by the Fund or portfolio company from which Adviser Information was originally received. Adviser Information will be the sole intellectual property of the Adviser and solely for the use of the Adviser. The Adviser reserves the right to use, share, license, sell or monetize Adviser Information, without offset to Management Fees, and the relevant Fund or portfolio company will not receive any financial or other benefit of such use, sharing, licensure, sale or monetization. Additionally, expenses

generally in relation to travel and meals relating to the Funds or portfolio companies are expected to be charged using credit cards or other widely available third-party rewards programs that provide airline miles, hotel stays, travel rewards, traveler loyalty or status programs, “points,” “cash back,” rebates, discounts and other arrangements, perquisites and benefits under the available terms of such reward programs. Such terms are expected to vary from time to time, and any such rewards (whether or not *de minimis* or difficult to value) generally will inure to the benefit of the personnel participating in the rewards program, rather than the portfolio companies, the Funds or their respective investors; no such rewards will offset Management Fees.

The Adviser’s personnel reserve the right to manage their own personal investments, whether or not through a formal family office or estate planning structure, and to pay or receive compensation relating to these arrangements. Unless restricted by the Governing Documents, the Adviser’s personnel are permitted to serve on boards or act in other roles unaffiliated with the Adviser, the Funds or their portfolio companies, including boards of charitable and educational institutions, public companies and former portfolio companies, and receive compensation in connection with such services and roles.

Any of these situations subjects MidOcean 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 and such other investment vehicles.

### **Co-Investments**

The General Partner may or may not, in its sole discretion, provide or commit to provide co-investment opportunities to one or more Limited Partners and/or other third-parties, in each case on terms to be determined by the General Partner in its sole discretion. Co-investment opportunities may be offered to some and not to other Limited Partners, or may not be offered to any Limited Partners. When exercising its discretion in connection with such co-investment opportunities, the General Partner may consider some or all of a wide range of factors, which may include, with respect to the affiliates, partners or employees of the General Partner and its affiliates, the self-interest of such Persons or entities, and with respect to co-investors not affiliated with the General Partner, the likelihood that a co-investor may invest in a future fund sponsored by the General Partner or its affiliates or otherwise provide economic or other benefits to the General Partner’s affiliates and their respective partners and employees. The General Partner’s allocation of co-investment opportunities to certain Limited Partners and third parties 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 the Limited Partners.

Furthermore, the General Partner and its affiliates are entitled to form a co-investment vehicle to facilitate any co-investment opportunity, and the General Partner and/or its affiliates may receive a carried interest, management fee and/or other fee or consideration in respect of any investor’s participation in such vehicle. Where a co-investment vehicle is formed, such entity generally will bear expenses related to its formation and operation, many of which are expected to be similar in nature to those that are borne by the Fund. If a transaction in which a co-investment was planned ultimately is not consummated, the out-of-pocket expenses relating to such unconsummated transaction generally will be borne by the Fund and not by any prospective co-investors that were anticipated to have participated in such transaction.

The Fund may co-invest with other investors through partnerships, joint ventures or other entities or arrangements. Such investments may involve risks not present in investments where a third party is not involved, including the possibility that a third-party co-venturer or partner may at any time have economic or business interests or goals that are inconsistent with those of the Fund or its Limited Partners, or may be in a position to take action contrary to the investment objectives of the Fund. In addition, the Fund may in certain circumstances be liable for actions of its third-party co-venturers or partners. There can be no assurance that the Fund's return from a transaction would be equal to and not less than the return of another investment fund that was allocated a co-investment opportunity and that is participating in the same transaction.

### **Investments in Affiliated Special Purpose Acquisition Vehicles ("SPACs")**

A SPAC is typically a publicly traded company that raises investment capital via an initial public offering (an "IPO") for the purpose of acquiring one or more existing companies (or interests therein) via merger, combination, acquisition or other similar transactions (each, a "Transaction"). Subject to applicable legal, regulatory, fiduciary or contractual considerations, the Fund, either alone or as a co-investment with other accounts, is expected to invest in SPACs that are sponsored by or affiliated with the Adviser, its affiliates or their employees, through receipt of an initial allocation in those SPACs' IPO, a subsequent PIPE in connection with a Transaction or through secondary market purchases. In so doing, the Adviser would face a conflict of interest because it has an incentive to use the assets of the Fund to support such affiliated SPAC, and voting affirmatively to support a Transaction or participating in an associated PIPE solely because such SPAC is sponsored by or affiliated with the Adviser, its affiliates or their employees, and accordingly stands to benefit materially and potentially disproportionately vis-à-vis other investors therein as a result. This could arise from receipt by the Adviser, its affiliates or their employees of "founders shares," a form of incentive compensation that often has significant embedded value, from the SPAC in connection with the Transaction, benefits to the Adviser's business reputation and industry standing, particularly as it relates to its SPAC strategy, generation of new investment opportunities, attraction of new investors and other economic and non-economic benefits for which the Fund or the Limited Partners will not be directly compensated. The Adviser could also face incentives to cause the Fund to take actions with respect to its SPAC and PIPE holdings that it otherwise would not absent its affiliations with a SPAC, including by continuing to hold onto its investments past the point it otherwise would absent those affiliations, because of the potential financial benefits that would accrue to the SPAC. Other conflicts of interest involving the Fund's transactions in affiliated SPACs and PIPEs in connection with a Transaction are possible, and the Adviser can provide no assurance that such conflicts, if they were to arise, will be resolved in a manner favorable to the Fund.

Further, the Adviser and/or one or more of its affiliates (including, potentially, the Fund) is permitted to participate in one or more entities (each such entity, a "SPAC Sponsor") that is formed for the primary purpose of forming, sponsoring, controlling and/or managing SPACs. To the extent a SPAC is sponsored by a SPAC Sponsor owned by the Fund (either entirely or in part), the Fund could be required to contribute significant capital to the SPAC, including in respect of underwriting fees, deal expenses and working capital (collectively, the "at-risk capital"). If, following a SPAC's initial public offering, the funds held in a SPAC's trust account are insufficient to allow it to operate until it consummates its initial business combination, a SPAC will depend on loans from its SPAC Sponsor or its management team (which management team could include employees to fund its search for a business combination, to pay income taxes, if any, and to complete its initial business combination. If the Fund does not control the SPAC Sponsor, there can be no assurance that the other owners of the SPAC Sponsor will loan the SPAC sufficient capital to fund the SPAC's continued search for a suitable target. If a SPAC Sponsor (including any SPAC Sponsor owned, entirely or in part, by the Fund) loans any amounts to its applicable SPAC, the Fund (if applicable) may bear a significant amount of the risk of any such loan and any related expenses. There can be no assurance or guarantee that any SPAC will be able to identify a suitable target business and consummate an initial business combination within the limited completion window of 18-24 months established in connection with the SPAC's initial public offering, and in such case, the SPAC will be forced to cease operations and liquidate, any loans it received (including indirectly from the Fund) will not be repaid and the SPAC Sponsor (including any SPAC Sponsor owned, entirely or in part, by the Fund) will lose the at-risk capital it contributed, which may be substantial. The

Fund could also make a direct investment in connection with the initial business combination transaction of a SPAC (including a SPAC sponsored by the Adviser or its affiliates).

#### **Non-MidOcean Service Providers**

Management Affiliates and Executive Board members are not employees of any Firm entity although such persons will, in some instances, hold investment interests or be granted carried interest in a Firm entity or in certain investments made by the Fund. Additionally, Management Affiliates and Executive Board members will receive compensation from MidOcean portfolio companies, including, but not limited to transaction fees, a profits or equity interest in a portfolio company, profits or equity interests in one or more Funds or General Partners, or other compensation, which may be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of such Management Affiliate or Executive Board member, 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. and such compensation will not result in offsets to or reductions of the Management Fee.

#### **Certain Consultants**

The General Partner, the Fund and the portfolio companies may from time to time retain other companies and individuals ("Special Consultants"), which may be affiliates of the General Partner, employees of such affiliates, portfolio companies of other funds managed by the General Partner or its affiliates, members of the Executive Board, Management Affiliates and/or other third party consultants (including individual consultants and external executives), "operating partners," "strategic partners," "executive partners" or "senior advisors." The Special Consultants may be engaged to provide services to, or in connection with, the Fund in relation to its activities or one or more portfolio companies in relation to the identification, acquisition, holding, improvement and disposition of such portfolio companies, including operational aspects of such companies ("Services").

Pursuant to the Partnership Agreement, fees and expenses associated with the Services (collectively "Consulting Fees and Expenses"), may be paid and/or reimbursed by applicable portfolio companies and/or the Fund. Consulting Fees and Expenses may, at the discretion of the General Partner taking into account the particular Services, include transaction fees, a profits or equity interest in a portfolio company depending on their role within the company, profits or equity interests in the Fund, standard board fees and compensation, or other compensation, which may be 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, depending on their role within the company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such company. No such Consulting Fees and Expenses will offset the Management Fee. The use of Special Consultants subjects MidOcean to conflicts of interest, as discussed herein.

#### **Other Service Providers**

In the Adviser's private company securities transactions on behalf of the Funds, the Adviser may retain one or more broker-dealers or investment banks, the costs of which will be borne by the relevant Fund and/or its portfolio companies. In determining to retain such parties, the Adviser may consider a variety of factors, including: (i) capabilities with respect to the type of transaction being contemplated; (ii) commissions or fees charged; (iii) reputation of the firm being considered; and (iv) responsiveness to requests for information. As a result, although the Adviser generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and the Funds may not pay the lowest commission or fee for such services.



## **Impact of Government Regulation, Reimbursement and Reform**

Certain industry segments in which the Fund intends to invest, including various segments of the media and telecommunications, financial services and technology, healthcare and growth business services industries, are (or may become) (a) highly regulated at both the federal and state levels in the U.S. and internationally and (b) subject to frequent regulatory change. Certain segments may be highly dependent upon various government (or private) reimbursement programs. While the Fund may make investments in companies that seek to comply with applicable laws and regulations, the laws and regulations relating to certain industries, including in particular the technology, media and telecommunications, financial services and technology, healthcare and growth business services industries, are complex, 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. By way of example, the healthcare and financial services industries have been, and will likely continue to be, significantly impacted by recent legislative changes, and various U.S. federal, state or local or non-U.S. legislative proposals related to such industries are introduced from time to time, which, if adopted, could have a significant impact on such industries in general and/or on companies in which the Fund may invest.

## **Control Person Liability**

The Fund may not always be the controlling shareholder in a portfolio company. However, it is expected that the Fund will have controlling interests in the majority of its portfolio companies. The exercise of control over a company may impose additional risks of liability for environmental damage, product defects, pension and other fringe benefits, failure to supervise management, violation of laws and governmental regulations (including securities laws) and other types of liability, for which the limited liability generally afforded to investors may be ignored. In particular, if determined to be a direct owner or operator of a portfolio company's facilities or operations, the Fund could face strict, joint and several liability under environmental laws for hazardous substance or contamination-related liabilities. If any such liabilities were to arise, the Fund might suffer significant losses. While the General Partner intends to manage the Fund in a manner that will minimize the exposure of these risks, the possibility of successful claims against the Fund and its affiliates cannot be precluded. In addition, it is expected that professionals of MidOcean will serve as directors of certain of the portfolio companies, including public companies, and as such, may have duties to persons other than the Fund.

## **Unfunded Pension Liabilities of Portfolio Companies**

Recent court decisions have found that, where an investment fund owns 80% or more (or under certain circumstances less than 80%) of a portfolio company, such fund (and any other 80%-owned portfolio companies of such fund) might be found liable for certain pension liabilities of such a portfolio company to the extent the portfolio company is unable to satisfy such liabilities. Although the Fund intends to manage its investments to minimize any such exposure, the Fund may, from time to time, invest in a portfolio company that has unfunded pension fund liabilities, including structuring the investment in a manner where the Fund may own an 80% or greater interest in such a portfolio company. If the Fund (or other 80%-owned portfolio companies of the Fund) were deemed to be liable for such pension liabilities, this could have a material adverse effect on the operations of the Fund and the companies in which the Fund invests. This discussion is based on current court decisions, statutes and regulations regarding ERISA control group liability as in effect as of the date of this Memorandum, which may change in the future as the case law and guidance develops.

## **Contingent Liabilities Upon Disposition**

In connection with the disposition of an investment, the Fund and the General Partner may be required to make (and/or be responsible for another person's or entity's breach of) representations and warranties, e.g., about the business and financial affairs of the applicable portfolio company, the condition of its assets and the extent of its liabilities, in each case generally in the nature of representations and warranties typically made in connection with the sale of similar businesses, and may be responsible for the content of disclosure documents under applicable securities laws. They may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents are inaccurate. These arrangements may result in contingent liabilities, which would be borne by the Fund and, ultimately, its investors.

## **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 your evaluation of MidOcean or the integrity of the Adviser's management. The Adviser has no information applicable to this Item.

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

The Adviser and/or its affiliates may provide various management and financial services to Fund portfolio companies and may receive additional compensation from these companies in connection with such services. Any such compensation will be disclosed and may be offset against future fees as required by the Partnership Agreement.

The Adviser is an affiliate of MidOcean Credit Fund Management, LP, a registered investment adviser which provides advisory services to MidOcean Credit Opportunity Fund, LP, MidOcean Credit Focus Fund, LP, MidOcean Absolute Return Credit Fund, LP, and MidOcean Absolute Return Target Fund I, LP, MidOcean Tactical Fund LP, MidOcean Tactical Fund II, LP, MidOcean Credit IDF I LP, MidOcean Select Floating Rate Fund, L.P., credit CLOs and assorted other funds, accounts and investment companies that focus on various credit fund strategies (together, the "Credit Funds"). MidOcean Credit Fund Management, LP is owned by Ted Virtue, Steve Shenfeld, and Dana Carey. As provided in the Limited Partnership Agreements of Fund III, Fund IV, and Fund V, during the Investment Period such funds are entitled to certain priority allocations of investment opportunities ahead of the Credit Funds, and the advisory boards of such funds are entitled to certain consultation and approval rights with respect to certain actions relating to investments in issuers in which the Credit Funds have an interest. Nevertheless, certain conflicts of interest may arise as a result of such investments. Fund III and Fund IV are outside their respective Investment Periods, however, Funds III and IV can still make follow on investments to existing portfolio companies. There is no such requirement in Fund IV to consult the advisory board unless MidOcean perceives a conflict of interest. For example, MidOcean and its affiliates may cause its clients to purchase different classes of debt and/or equity of the same borrower or issuer. These and other investments may be deemed to create conflicts of interest, particularly because MidOcean and its affiliates may take certain actions for some clients with respect to one class of debt or equity that may be adverse to other clients who hold other classes of debt or equity of the same borrower or issuer. Such investments may also be deemed to create conflicts of interest with respect to one client's need for attractive investment opportunities, on the one hand, and the issuer's need for attractive debt and equity financing terms, on the other hand. In all such cases, MidOcean will seek to act in a manner it believes in good faith to be equitable to all clients under the circumstances, subject to the requirements described above.

The Adviser has been engaged by ATL Advisor LP (“ATL”) to provide certain services to ATL subject to the terms and conditions of a services agreement among the Adviser and ATL (the “Services Agreement”). The Adviser or any of its affiliates provide ATL with services including, but not limited to, regulatory compliance oversight for any employees who are supervised persons of the ATL, as well as various finance, accounting, and tax support, office space and equipment, systems and other services (the “Services”), all as further described on and subject to the terms and conditions set forth in the Services Agreement. As consideration for providing the Services, ATL compensates the Adviser through fees and cost reimbursements.

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

The Adviser has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons of the Adviser must acknowledge the terms of the Code of Ethics annually, or as amended.

MidOcean is built upon the principles of fair dealing and ethical conduct of its employees. Its reputation for integrity and excellence requires careful observance of the spirit and letter of all applicable laws and regulations, as well as a scrupulous regard for the highest standards of conduct and personal integrity. The continued success of the Adviser is dependent upon its clients trust and the Adviser is dedicated to preserving that trust. Employees owe a duty to the Adviser, its clients and investors to act in a way that will merit the continued confidence of the public.

The Adviser will comply with all applicable laws and regulations and expects its employees and partners to conduct business in accordance with the letter, spirit and intent of all relevant laws and to refrain from any illegal, dishonest or unethical conduct. If a situation arises where it is difficult to determine the proper course of action, the matter should be discussed openly with an immediate supervisor or the Chief Operating Officer for advice and consultation.

The Adviser will provide its Code of Ethics to any client or prospective client who requests it. Requests should be sent to Candice Richards at [crichards@midoceanpartners.com](mailto:crichards@midoceanpartners.com).

Through the Code of Ethics, the Adviser seeks to ensure that the personal securities transactions, activities and interests of its employees will not interfere with (i) making decisions in the interest of advisory clients or (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. In addition, the Code requires pre-clearance of all transactions including any limited offerings or IPOs. Employee trading is monitored in order to reasonably detect and prevent violations.

Principals and employees of the Adviser and its affiliates may directly or indirectly own an interest in the funds advised by the Adviser, including Fund III, Fund IV, Fund V and MidOcean PPD. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio companies as such Funds.

Fund III, Fund IV, Fund V, MidOcean PPD or certain co-investment vehicles may invest together with other private investment funds advised by an affiliated adviser of the Adviser in the manner set forth in the Partnership Agreement. The Adviser will determine the allocation of investment opportunities in a manner set forth in Item 8 - “Methods of Analysis, Investment Strategies and Risk of Loss”.

## **Item 12 – Brokerage Practices**

Investors in the Funds authorize the general partner to act on behalf of the Funds. The Adviser as the manager, and MidOcean Associates, SPC as the general partner of Funds III, and MidOcean Associates IV, L.P. as the general partner of Fund IV, and MidOcean Associates V, L.P. as the general partner of Fund V and MidOcean PPD, will make all decisions related to the investment and divestment of the Funds' assets including the selection of the investments, the size of the investments, the banker or other advisor in such transactions or, in the case of securities that are traded, the broker or dealer to be used and the commissions to be paid, if any. Although trading in public securities is not a daily occurrence, at times, the Funds will hold public stocks that are unrestricted or will trade on foreign exchanges or in foreign currency as necessary. On all of its trades, MidOcean will seek to get best execution for its Funds' trades and will seek to pay market commissions, as applicable. MidOcean does not receive research or other services associated with the execution of its trades, and does it use any form of soft dollars.

In MidOcean's private company securities transactions on behalf of the Funds, MidOcean may retain one or more broker-dealers or investment banks, the costs of which will be borne by the relevant Fund and/or its portfolio companies. In determining to retain such parties, MidOcean may consider a variety of factors, including: (i) capabilities with respect to the type of transaction being contemplated; (ii) commissions or fees charged; (iii) reputation of the firm being considered; and (iv) responsiveness to requests for information. As a result, although MidOcean generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and the Funds may not pay the lowest commission or fee for such services.

## **Item 13 – Review of Accounts**

As is standard for private equity funds, the Adviser provides its clients with quarterly financial statements, quarterly capital account statements and annual audited financial statements. These reports provide information about the holdings of the Funds in which the investor is a limited partner, the valuation of the holdings, amounts that have been called for investments, management fees or expenses and any obligations that are deemed to be significant. The Adviser and its administrator review the accounts, cash and status of each Fund's account periodically to confirm that they accurately reflect the Fund's activities.

As part of its ongoing management oversight, the Adviser oversees the performance of the Funds' investments and interacts with each company on a regular basis to evaluate the company's performance against projections and budgets. In addition to reviewing board materials, the Adviser will review periodic financials and sales reports as appropriate to monitor the company's performance against expectations and to determine if strategic initiatives, including integrations, scheduled cost saves, new product launches, etc. are proceeding in accordance with expectations and projections.

In addition, prior to an investment being made, the Adviser also confirms that any investment would be in compliance with the investment limitations set forth in the appropriate Limited Partnership Agreement.

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

The Adviser has four (4) employees who are responsible for marketing and investor relations and client service. The Adviser will determine overall compensation for these professionals based upon success in identifying potential investors, helping to prepare marketing materials, and responding and handling investor requests and inquiry. However, it is important to note that the Adviser provides management services to closed end funds. As such, the Adviser only markets during specific windows with an offering document for a specific product.

The Adviser does not currently have in place any placement agent agreements.

### **Item 15 – Custody**

For Fund III, Fund IV, Fund V and MidOcean PPD, the Adviser provides limited partners with Fund audited financial statements prepared in accordance with GAAP within 120 days of the relevant Fund's fiscal year end.

Fund III-E undergoes an annual surprise examination of fund assets by an independent public accountant and files an ADV-E with the SEC within 120 days of the surprise examination. As such, the Adviser is deemed to comply with rule 206(4)-2.

The Adviser's custody accounts are maintained by Raymond James, Bank of America, Computershare, Wells Fargo, and Keefe, Bruyette & Woods.

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

As discussed, the Adviser has discretionary authority to manage investments on behalf of each Fund. The Adviser assumes this discretionary authority pursuant to the Advisory Agreements.

In general, Limited Partners cannot place limits on the Adviser's authority, although the Adviser is subject to any limitations on investments set forth in the applicable Partnership Agreement. In addition, the Partnership Agreements allow the Adviser or the Fund's general partner to enter into "Side Letters" with certain limited partners whereby such limited partner may have the right to opt out of certain investments for legal, tax, regulatory or similar reasons.

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

As required by Rule 206(4)-6 under the Advisers Act, the Adviser has adopted Proxy Voting Policies and Procedures (the "Proxy Policy") that are reasonably designed to ensure that the Adviser votes proxies in the best interests of clients and that address how the Adviser resolves material conflicts of interest that may arise between the Adviser's interests and the interests of the Funds. The CCO is responsible for overseeing the Adviser's compliance with the Proxy Policy.

The Adviser generally believes its interests are aligned with those of its clients through the principals' beneficial ownership interests in Fund III and Fund IV, Fund V and MidOcean PPD 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, including by seeking the approval or concurrence of the relevant fund's advisory board on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. 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 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 client.

If you would like a copy of the Adviser's Proxy Policy or information regarding how the Adviser voted proxies for particular portfolio companies, please contact MidOcean Partners at 212-497-1400, and the Proxy Policy and/or information will be provided to you free of charge.

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

The Adviser does not require the prepayment of fees more than six months in advance. In addition, the Adviser 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.