

**INVESTMENT ADVISER BROCHURE  
FORM ADV PART 2A**

**PRIMUS CAPITAL PARTNERS, INC.**

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**Amended as of March 20, 2020**

**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Primus Capital Partners, Inc. If you have any questions about the contents of this Brochure, please contact us at (440) 684-7300. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.**

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

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

## **MATERIAL CHANGES**

Primus Capital Partners, Inc. filed its most recent Form ADV Part 2 on March 22, 2019. This annual amendment updates the description of the business practices of Primus Capital Partners, Inc. and its affiliates.

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## ADVISORY BUSINESS

Primus Capital Partners, Inc., an Ohio corporation and a registered investment adviser, and its affiliated investment advisers provide investment advisory services to private investment funds. Primus Capital Partners, Inc. commenced operations in 1993.

Primus Capital Partners, Inc.'s clients include the following funds (each, a “**Fund**,” and together with any future private investment fund to which Primus Capital Partners, Inc. or its affiliates provide investment advisory services, the “**Funds**”):

- Primus Capital Fund V Limited Partnership;
- Primus Capital Fund VI, LP;
- Primus Capital Fund VII, LP;
- Primus Capital Fund VIII, LP; and
- Primus Executive Fund V Limited Partnership

The following are general partner advisory entities affiliated with Primus Capital:

- Primus Venture Partners V, L.L.C.;
- Primus Capital Partners VI, LLC;
- Primus Capital Partners VII, LLC; and
- Primus Capital Partners VIII, LP

(each, a “**General Partner**” and together with Primus Capital Partners, Inc. and their affiliated entities, “**Primus Capital**”). Each General Partner is subject to the Advisers Act pursuant to Primus Capital Partners Inc.'s registration in accordance with SEC guidance. This Brochure also describes the business practices of each General Partner, which operate as a single advisory business together with Primus Capital.

The Funds are private equity funds and invest through negotiated transactions in operating entities. Primus Capital's investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for such investments. Investments are made predominantly in non-public companies, although investments in public companies are permitted. From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of Primus Capital or its affiliates generally serve on such portfolio companies' respective boards of directors or otherwise act to influence control over management of portfolio companies held by the Funds.

Primus Capital's advisory services for the Funds are detailed in the applicable private placement memoranda (each, a “**Memorandum**”), investment management agreements and

limited partnership agreements (each, a “**Partnership Agreement**” and, as applicable, together with any relevant Memorandum, the “**Governing Documents**”) and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” Investors in the Funds participate in the overall investment program for the applicable fund, but in certain circumstances are excused from a particular investment due to legal, regulatory or other applicable constraints pursuant to the Governing Documents; for the avoidance of doubt, such arrangements generally do not and will not create an adviser-client relationship between Primus Capital and any investor. The Funds or the General Partners have entered, and expect to continue to enter, into side letters or other similar agreements (“**Side Letters**”) with certain investors that have the effect of establishing rights under or altering or supplementing the terms of the Governing Documents with respect to such investors.

Additionally, from time to time, Primus Capital expects to provide (or agrees to provide) co-investment opportunities to certain investors or other persons, 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 their investments in the applicable portfolio company at the same time and on the same terms as the relevant Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle (including a co-investing Fund) purchases a portion of an investment from a Fund, which generally will have been funded through Fund investor capital contributions and/or use of a Fund credit facility. Any such purchase from a Fund by a co-investor or co-invest vehicle generally occurs shortly after the Fund’s completion of the investment to avoid any changes in valuation of the investment. Primus Capital, in its sole discretion, reserves the right to charge interest on the purchase to the co-investor or co-invest vehicle (or otherwise equitably to adjust the purchase price under certain conditions), and to seek reimbursement to the relevant Fund for related costs.

As of December 31, 2019, Primus Capital managed approximately \$1.0 billion in client assets on a discretionary basis. Primus Capital Partners, Inc. is owned and controlled by Phillip C. Molner II.

## **FEES AND COMPENSATION**

In general, each General Partner receives a management fee and a carried interest in connection with advisory services. Primus Capital or its affiliates receive additional compensation in connection with management and other services performed for portfolio companies of the Funds and such additional compensation will offset in whole or in part the management fees otherwise payable to Primus Capital in accordance with the Governing Documents. Investors in each Fund also bear certain fund expenses.

### **Management Fees**

Each Fund will pay Primus Capital, quarterly in advance, a management fee (the “**Management Fee**”) generally equal to between 1.5% and 2.25% *per annum* based on aggregate Fund investor capital commitments (“**Commitments**”). Investors participating in a closing after the relevant Fund’s initial closing date generally bear the Management Fee from such initial closing date plus interest. Each Fund’s Management Fee steps down following certain events

specified in the relevant Governing Documents of such Fund. For example, for Primus Capital Partners VIII, LP (“**Primus Capital Partners VIII**”), after the expiration of the investment period (as described in the Governing Documents) the Management Fee will equal 2.0% of (a) the aggregate funded Commitments, as reduced by (b) permanent write downs and distributions constituting returns of capital. The Management Fee will be payable until all portfolio investments are distributed or until such other circumstances described in the Governing Documents. Installments of the Management Fee payable for any period other than a full quarterly period are adjusted on *pro rata* basis according to the actual number of days in such period.

A Fund’s Management Fee will be reduced by a specified percentage of such Fund’s share of transaction, advisory, monitoring or directors’ fees paid by portfolio companies to the relevant General Partner or its affiliates, up to an amount specified in the relevant Governing Documents (such fees, “**Supplemental Fees**”). With respect to Primus Capital Partners VIII, the Management Fee will be reduced by all of such Fund’s share of Supplemental Fees. Certain other Funds offset a portion of Supplemental Fees (*e.g.*, 80% of a Fund’s share of such fees) against the Management Fee; for any such Fund, Primus Capital or an affiliate will be permitted to retain the remaining portion of such Supplemental Fees not offset against the Management Fee. To the extent that an offset credit would reduce the Management Fee for a given period below zero, the credit will be carried forward for future application against payable Management Fees, and if a credit remains upon liquidation, a payment will be made crediting partners unless a partner has elected to waive such amount (*e.g.*, where an adverse tax consequence potentially will result). Supplemental Fees have also included amounts prepaid in anticipation of future services or otherwise accelerated in certain situations (*e.g.*, an initial public offering), which will be offset against the applicable Management Fee to the extent set forth in the Governing Documents. Although such prepaid or accelerated fees generally will be based on the anticipated level and duration of services that the General Partner believes at the time of such prepayment or acceleration are likely to be provided to the portfolio company, over time, they have the potential to be greater or less than the amount that is ultimately incurred with respect to services ultimately provided to such portfolio company.

As a matter of practice, Primus Capital is typically paid fees of the type referred to in the preceding paragraph from, on behalf of or with respect to co-investors in an investment. The receipt of such fees will not reduce the Management Fee payable by any Fund(s) that have also invested in such investment, and as a result a Fund will, in most cases, only benefit with respect to its allocable portion [**on a fully diluted basis**] of any such fee and not the portion of any fee that relates to such co-investors or potential co-investors, which have the potential to be significant. **[Supplemental Fee offsets generally are performed on a net basis, after giving effect to taxes and other expenses in connection with the receipt of such fees or the provision of related services.]** Similarly, in certain circumstances, Primus Capital expects that co-investors, lenders, consultants or other parties will seek to negotiate the right to share a portion of such fees from a particular investment, and in such cases the above-described offset percentage will be applied after excluding any amounts paid to such persons. Additionally, as further described below and in the Governing Documents, it is the Advisers’ practice to retain certain operating partners to provide services to (or with respect to) certain portfolio companies in which one or more Funds invest. Such operating partners generally receive compensation and other amounts described herein from the relevant portfolio companies or Funds to which they provide services, but no such amounts will offset or reduce the Management Fee. For the avoidance of doubt, Primus Capital also will

not offset compensation received from outside sources, such as residual employee board seats at entities that are no longer Fund portfolio companies.

Certain Governing Documents permit a General Partner to waive or agree to reduce the Management Fee. Any such waived or reduced portion of the Management Fee reduces the amount of capital such General Partner would otherwise be required to contribute to the relevant Fund and entitles the General Partner to special allocations and distributions related to such reduced amounts as set forth in the relevant Governing Documents. The limited partners of such Fund would, in such circumstances, be required to make a *pro rata* contribution according to their respective Commitments to fund any contribution that would otherwise be required of such General Partner in connection with any such waiver or reduction as described above and, as a result, the exercise of such waiver may result in an acceleration of investor capital contributions. Waived or reduced Management Fees are not subject to the Management Fee offsets described above. Due to waived or reduced Management Fees by the General Partners and/or timing of receipt of compensation subject to offsets (as described above), it is possible that Management Fee offsets will not be fully realized by investors in a Fund, resulting in a net additional benefit to Primus Capital or its affiliates.

No Management Fee is or was payable to Primus Capital or any General Partner by Primus Executive Fund V Limited Partnership.

### **Carried Interest**

Each General Partner will receive a carried interest with respect to the relevant Fund generally equal to 20% of all realized profits subject to any preferred return, as more fully described in the Governing Documents. The carried interest distributed to a General Partner is subject to a potential clawback at the end of life of the relevant Fund if such General Partner has received excess cumulative distributions. It is expected that any future Funds will have a similar fee structure.

No carried interest is payable to Primus Capital or any General Partner by the Primus Executive Fund V Limited Partnership.

### **Other Information**

Primus Capital has the right to exempt certain investors in the Funds from payment of all or a portion of Management Fees and/or carried interest, including Primus Capital and any other person designated by the relevant General Partner, such as “friends and family” of Primus Capital 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 or by a rebate by Primus Capital and/or its affiliates, or through other Funds that co-invest with a Fund. For example, in instances where a Primus Capital 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 Governing Documents, certain Advisers have the right to permit investors, affiliated with an Adviser or otherwise, to invest through the relevant General Partner or other vehicles that do not bear

Management Fees or carried interest. In general, the Management Fee offsets described above apply only with respect to the capital commitments of fee-paying investors. Primus Capital 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 Governing Documents, over the term of the relevant Fund, and investors generally are not permitted to withdraw or redeem interests in a Fund.

Principals or other current or former employees of Primus Capital generally receive salaries and other compensation derived from, and in certain cases including a portion of, the Management Fee, carried interest or other compensation received by Primus Capital, a General Partner or their affiliates.

In addition to the Management Fee and carried interest payable to each General Partner, each Fund bears certain expenses. As set forth 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, business portfolio companies or actual or potential investments to the extent not reimbursed by a portfolio company or applied to reduce Management Fees, including: (i) activities with respect to origination and sourcing of investment opportunities, including meeting with broker-dealers, investment banks and other sources of investments and developing an investment pipeline; (ii) activities with respect to the structuring, organizing, negotiating, consummating, financing, refinancing, acquiring, bidding on, owning, managing, monitoring, operating, holding, hedging, restructuring, trading, taking public or private, selling, valuing, winding up, liquidating, or otherwise disposing of, as applicable, portfolio companies and a Fund's actual and potential investments (including follow-on investments) or seeking to do any of the foregoing (including any associated legal, financing, commitment, transaction or other fees and expenses payable to attorneys, accountants, investment bankers, lenders, third-party diligence software and service providers, consultants and similar professionals in connection therewith and any fees and expenses related to transactions that may have been offered to co-investors), whether or not any contemplated transaction or project is consummated and whether or not such activities are successful; (iii) indebtedness of, or guarantees made by, a Fund, the relevant management company, the relevant General Partner or any affiliate of such General Partner on behalf of such Fund (including any credit facility, letter of credit or similar credit support), including interest with respect thereto, or seeking to put in place any such indebtedness or guarantee; (iv) financing, commitment, origination and similar fees and expenses; (v) broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, private placement fees, sales commissions, investment banker, finder and similar services; (vi) brokerage, sale, custodial, depository, trustee, record keeping, account and similar services; (vii) legal, accounting, research, auditing, administration (including fees and expenses associated with a Fund's third-party administrator and administration or reporting software, if any), information, appraisal, advisory, valuation (including third-party valuations, appraisals or pricing services), consulting (including consulting and retainer fees and other compensation paid to operating partners or any of its consultants performing investment initiatives and other similar consultants), tax and other professional services; provided that compensation payable directly by a Fund, any parallel fund



and any alternative investment vehicle to operating partners shall not exceed, without advisory board approval, a certain amount; (viii) reverse breakup, termination and other similar fees (such expenses, **“Broken-Deal Expenses”**); (ix) directors and officers liability, errors and omissions liability, crime coverage and general partnership liability premiums and other insurance and regulatory expenses; (x) filing, title, transfer, registration and other similar fees and expenses; (xi) printing and communications; (xii) the preparation, distribution or filing of Fund-related or investment-related financial statements or other reports, tax returns, tax estimates, Schedule K-1s, or any other administrative, compliance or regulatory filings or reports (including Form PF and any filings or reports contemplated by the Alternative Investment Fund Managers Directive (the **“AIFMD”**) or any similar law, rule or regulation), or other information, including fees and costs of any third-party service providers and professionals related to the foregoing; (xiii) developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software or other administrative or reporting tools (including subscription-based services) for the benefit of a Fund or the limited partners; (xiv) any activities with respect to protecting the confidential or non-public nature of any information or data, including confidential information; (xv) to the extent otherwise approved by the relevant General Partner in its sole discretion, activities or proceedings of an advisory board (including any reasonable out-of-pocket costs and expenses incurred by representatives of a General Partner, a Fund’s advisory board members, permitted observers and other persons in attending or otherwise participating in meetings of such advisory board); (xvi) indemnification (including any fees, costs and expenses incurred in connection with indemnifying any partner or other person or otherwise and advancing fees, costs and expenses incurred by any such person in defense or settlement of any claim that may be subject to a certain right of indemnification); (xvii) actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including any judgment, other award or settlement entered into in connection therewith; (xviii) any annual limited partner meeting or other periodic, if any, meetings of the limited partners and any other conference or meeting with any limited partner(s), in each case to the extent incurred by a Fund, the relevant General Partner or any other affiliate of the General Partner; (xix) the Management Fee; (xx) except as otherwise determined by the relevant General Partner in its sole discretion, any fee, cost, expense, liability or obligation relating to any alternative investment vehicle or its activities, business, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company of such alternative investment vehicle) that would be a fund expense if it were incurred in connection with a Fund, and any expenses incurred in connection with the formation, management, operation, termination, winding up and dissolution of any feeder vehicles related to such Fund to the extent not paid by the investors investing in such entities; (xxi) the termination, liquidation, winding up or dissolution of a Fund; (xxii) defaults by limited partners in the payment of any capital contributions; (xxiii) amendments to, and waivers, consents or approvals pursuant to, the constituent documents of a Fund, the parallel fund, the relevant General Partner, the parallel fund general partner, the ultimate general partner, the relevant management company and any alternative investment vehicle of such or the parallel fund, including the preparation, distribution and implementation thereof; (xxiv) (A) complying with any law or regulation related to the activities of a Fund (including regulatory expenses of the relevant General Partner incurred in connection with the operation of such Fund and legal fees and expenses) and/or (B) any litigation or governmental inquiry, investigation or proceeding involving a Fund, including the amount of any judgments, settlements or fines paid in connection therewith, except to the extent such expenses or amounts have been determined to be excluded from the indemnification; (xxv) any

third-party experts, including independent appraisers, engaged by the relevant General Partner in connection with the Fund considering, making or holding an investment in the same entity as one or more other funds sponsored by the relevant management company; (xxvi) unreimbursed costs and expenses incurred in connection with certain transfers or proposed transfers; (xxvii) any taxes, fees and other governmental charges levied against a Fund and all expenses incurred in connection with any tax audit, investigation settlement or review of such Fund (except to the extent that the Fund is reimbursed therefor by a reimbursing partner or such tax, fee or charge is treated as having been otherwise distributed to the partners); (xxviii) distributions to the investors and other expenses associated with the acquisition, holding and disposition of a Fund's investments, including extraordinary expenses; (xxix) subject to clause (vii) above, unreimbursed expenses and unpaid fees of the operating partners or other persons engaged by such operating partners; (xxx) compliance or regulatory matters related to a Fund, except as otherwise set forth in the relevant Governing Documents; (xxxi) any travel, lodging, meals, costs of conferences, or entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities; (xxxii) organizational expenses; (xxxiii) placement fees; and (xxxiv) any other fees, costs, expenses, liabilities or obligations approved by an advisory board. The Funds also bear expenses indirectly to the extent a portfolio company (or intermediate entity) pays expenses, including expenses of Primus Capital and/or its affiliates. Generally included in the expenses permitted to be borne by a Fund are the fees, costs, expenses, liabilities and obligations of legal counsel, consultants and/or other service providers to procure, develop, establish, review, revise, customize, upgrade and/or negotiate relationships relating to the foregoing items, which generally are expected to be significant. In certain cases, these or similar expenses (and/or 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. Excluded from Fund expenses, as set forth in the Governing Documents, are ordinary overhead and administrative expenses of Primus Capital or the applicable General Partner, including employees' salaries, rent and equipment expenses.

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 by their share of such expenses or obligations, without interest. In certain circumstances, Primus Capital, the relevant General Partner or an affiliate thereof is expected to advance amounts related to the foregoing and receive reimbursement from the Funds to which such expenses relate. In addition to the foregoing, a Fund also can bear the costs of hosting or attending training programs, meetings or other events for a Fund, its portfolio companies or personnel of either of the foregoing.

A General Partner expects to permit certain investors to co-invest in portfolio companies alongside one or more Funds. If a co-invest vehicle is formed, such entity generally will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction or would otherwise be beneficial, in the judgment of the General Partner, ultimately is not consummated, all Broken Deal Expenses relating to such proposed transaction will be borne

by the Fund(s), and not by any potential co-investors, that were to have participated in such transaction. However, to the extent that such co-investors have already invested in a co-invest or other vehicle in connection with such transaction, such vehicle is expected to bear its share of such Broken Deal Expenses.

Primus Capital and/or its affiliates generally have discretion over whether to charge Supplemental Fees or other compensation 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 gives rise to potential conflicts of interest between the Funds, on the one hand, and Primus Capital and/or its affiliates on the other hand as discussed in the "Conflicts of Interest" section below.

### **Operating Partners**

It is the Advisers' practice to retain certain operating partners to provide services 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. These services from time to time also include serving in management, on the board of directors or in other policy-making positions for portfolio companies. Operating partners generally have been compensated by Primus Capital, although an operating partner's travel expenses generally are borne by (or reimbursed by) the relevant portfolio companies. Operating partners also have the ability to receive a profits or equity interest in the applicable General Partner and/or Fund and any portfolio company they provide services to. With respect to Primus Capital Fund VIII, L.P., to the extent such Fund utilizes operating partners or an operations group, such fees, expenses and other compensation will be paid by a portfolio company, prospective portfolio company or directly by the Fund as described in the Governing Documents, and any such compensation generally will not offset or reduce the Management Fee of such Fund. The use of operating partners subjects the Advisers to potential conflicts of interest, as discussed under "Conflicts of Interest" below.

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

As described under "Fees and Compensation," the relevant General Partner receives a carried interest allocation on certain realized profits in the relevant Fund. Primus Capital also manages Primus Executive Fund V Limited Partnership which is not charged a performance-based fee. This practice could present a conflict of interest because Primus Capital has an incentive to favor accounts for which it receives a performance-based fee.

Additionally, to the extent that Primus Capital has Funds with varying carried interest terms and/or Primus Capital personnel are assigned varying percentages of carried interest from the Funds, Primus Capital and such personnel are subject to potential conflicts of interest to the extent they are involved in identifying investment opportunities for Funds from which they are entitled to receive a higher carried interest percentage.

Primus Capital seeks to address the potential conflict of interest in these matters by trading on behalf of the Primus Executive Fund V Limited Partnership in parallel with the corresponding Fund and with allocation policies that provide that transactions and investment opportunities will be allocated to the Funds in accordance with each Fund's investment guidelines and Governing Documents, as well as other factors that do not include the amount of performance-based compensation received by Primus Capital or any personnel.

## **TYPES OF CLIENTS**

Primus Capital provides investment advice solely to its Fund clients, and references throughout this Brochure to "clients" and to Primus Capital's related duties to and practices on behalf of its clients and/or investors should be construed accordingly. The Funds generally include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended (the "**Company Act**"). The investors participating in the Funds generally include but are not limited to individuals, banks or thrift institutions, other investment entities, university endowments, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and from time to time include, directly or indirectly, principals or other employees of Primus Capital and its affiliates and members of their families, operating partners or other service providers retained by Primus Capital.

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

Each Fund generally has a minimum investment amount of \$5 million for institutional investors and \$2 million for individual investors, and Fund interests are offered and sold solely to qualified investors, including accredited investors who are also qualified clients or, as applicable, qualified purchasers as defined under the Company Act (or qualified knowledgeable Primus Capital personnel). Primus Capital generally is permitted to waive such minimum investment amount.

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

### **General**

The essential elements of Primus Capital's current investment strategy for the Funds include:

- Originate investment opportunities in the lower middle market;
- Invest in companies that are positioned to build value through growth;
- Focus investments on selected growth industries in which Primus has demonstrated success;

- Employ flexible and creative financial structures to meet the needs of the transaction and optimize returns; and
- Exercise an active role in the portfolio companies to maximize financial performance and investment returns.

Each of these elements is described in turn below.

#### *Originate Investments in the Lower Middle Market.*

The origination of lower middle market investment opportunities with company enterprise values below \$250 million (typically below \$100 million) is a fundamental strength of Primus Capital that has been thoroughly tested across the Funds. Central to Primus Capital's origination capabilities are well-established and longstanding relationships with intermediaries and co-investment partners. Over its Funds, Primus Capital has established trusted relationships with a network of investment sources that includes investment bankers, brokers, lenders, accountants, lawyers, consultants, individual investors, corporate management teams and other private equity funds. Primus Capital believes that these well-established relationships have enabled it to develop a distinctive, and in some cases proprietary, deal flow, find hidden value and opportunities in investment candidates, and secure favorable financing terms from lenders and other equity investors.

Primus Capital augments its network of intermediary and co-investor origination sources by seeking to leverage its prior investments and executive relationships to generate opportunities. Several investments in the Funds' portfolios were sourced based on previous investment relationships with entrepreneurs, management teams and/or owners.

Finally, Primus Capital self-sources investment opportunities by directly pursuing promising companies within the firm's three targeted industry sectors of software/technology, healthcare, and technology-enabled services.

Primus Capital has a history of originating proprietary investment opportunities through a proactive and disciplined program of calling on companies that are attracted to Primus Capital's partnership approach and value creation capabilities. Primus Capital believes that its established relationships and deal origination program provides it with competitive advantage.

#### *Invest in Lower Middle Market Growth Companies*

The Funds target investments in growth companies in the lower middle market that exhibit one or more of the following characteristics: profitable, recurring or predictable revenues, demonstrable historical revenue growth, high contribution margins/operating leverage and/or significant free cash flow. Investment returns can be generated through revenue and earnings growth, multiple expansion, the use of leverage and yield. Fund returns are expected to be tied to all four of these factors, with the underlying growth of revenues and earnings projected as the largest contributor to a Fund's investment performance. Each Fund will target companies with annual revenue growth rates that exceed 10% and high-margin business models that can translate increased sales into greater growth in profitability. Primus Capital believes that its focus on such companies reduces risk relative to investing in earlier stage companies and reduces dependence on

the capital markets for future debt and equity financing since Primus Capital believes such companies to be, in large part, self-financing. This approach is also designed to facilitate ultimate exits as the relevant portfolio companies are expected to profile as attractive targets for strategic buyers at the time the relevant Fund invests in them. The size of the initial investment in each portfolio company will be based on the needs of the transaction and the likelihood of follow-on investment to support organic growth and acquisitions, subject to any transaction size and/or concentration limits present in the Governing Documents.

#### *Focus on Selected Growth Industries*

Primus Capital seeks to invest in industries that Primus Capital believes are well-positioned in the economy for future growth. Primus Capital believes that a prudent portfolio should be diversified over a number of growth industries so that the relevant Fund can seek to achieve the advantages of a focused investment strategy while reducing the risk of exposure to a single industry. Primus Capital focuses its investment origination activities on a select group of industries that include software/technology, healthcare and technology-enabled services. Primus Capital believes that the current market dynamics in these industries are fueling a higher growth rate than the overall economy. Those dynamics include the increased use of outsourcing, the proliferation of new and enabling technologies, increased emphasis on specialization, changes in the regulatory environment, the competitive advantages of scale, and the focus on cost containment. Moreover, these industries frequently operate on different business cycles, thereby offering additional diversification for the portfolio. A Fund has the right to diversify its portfolio by investing opportunistically outside of these targeted industries in companies Primus Capital believes to have exceptional growth and profit potential:

- *Technology-Enabled Services* — Primus Capital believes that the increasing trend of companies to outsource critical business processes to third-party service providers makes the business services sector attractive for investments. Although technology-enabled services defines a relatively broad space, the Primus Capital investment strategy is more narrowly focused on opportunities and companies that leverage some form of proprietary and scalable technology, including technologies related to human capital management, financial technology and payment processing, for example. Companies targeted by a Fund are expected to have business models that include recurring or predictable revenues, high margins, operating leverage, compelling value propositions to customers, and significant barriers to entry.
- *Healthcare* — Primus Capital has a longstanding investment history in the healthcare sector. While many private equity firms have recently turned to healthcare as an area of interest, Primus Capital's involvement in healthcare extends back to its origins and is well-represented in each of its Funds. Primus Capital's healthcare investment strategy is intentionally diversified, looks to manage regulatory and payer reimbursement risk, and targets companies that deliver on the dual objectives of cost containment and improved quality of care.
- *Software/Technology* — Primus Capital actively pursues software and technology investments across a number of end markets that are poised to benefit from the

efficiency gains that such solutions can provide. As with other target industries, companies targeted by a Fund are expected to have business models that include recurring or predictable revenues, high margins, operating leverage, compelling value propositions to customers, and significant barriers to entry. Primus Capital pursues opportunities in verticals such as healthcare, finance technology, human capital management, marketing, and education, among others, where Primus Capital may have a compelling angle given its expertise with software/technology businesses and investment experience in these industries.

### *Employ Investment Flexibility as a Competitive Advantage*

Each Fund will pursue an investment approach that spans minority growth investments to control positions in leveraged and unleveraged transactions. Primus Capital expects the Funds' investment in companies will provide equity funding to support organic and acquisition-related growth and the repurchase of stock from existing shareholders. It is also anticipated that investments by the Funds in portfolio companies will be used to support more significant recapitalizations using equity and debt as well as buyout transactions where a change of control occurs and more substantial amounts of senior and subordinated debt may be employed. Flexibility in investment structure allows Primus Capital to consider a broader range of opportunities on behalf of the Funds and differentiates the Funds from more traditional buyout funds, where an investment model is built around the use of leverage and a change of control. Furthermore, Primus Capital will seek co-investments with other private equity firms and limited partners as part of a syndicate of investors. This collaboration enables Primus Capital to arrange larger equity financings than it could provide alone, further expanding the range of opportunities it is able to consider. Primus Capital believes that this co-investment strategy is likely to provide incremental investment opportunities to the Funds based on reciprocal deal flow that develops from its list of compatible co-investment partners who have significant experience with lower middle market transactions.

### *Exercise an Active Role in Portfolio Companies*

Primus Capital seeks to add value to its Funds' portfolio companies. Primus Capital believes that successful investment returns are created primarily by driving growth and achieving significant improvements in operating results. Accordingly, Primus Capital plays an active post-investment role with the Funds' portfolio companies, including representation on such portfolio companies' board of directors. As an active investor, Primus Capital works with management to:

- Establish business policies and strategic priorities;
- Develop operating plans and budgets;
- Secure the necessary debt and equity financing to accomplish those plans;
- Recruit experienced senior executives to lead the companies and industry experts to join the board of directors;

- Identify high-impact business development opportunities, including mergers, acquisitions and strategic partnerships; and
- Achieve shareholder liquidity through a recapitalization, sale, merger or IPO.

In order to establish its post-closing priorities, Primus Capital attempts to enter each new Fund investment with a clear perspective, developed through its rigorous and comprehensive due diligence process, on how equity value can be created in the specific situation. Through this process, Primus Capital seeks to determine how it can work with management to achieve maximum impact. Multiple members of the Primus Capital investment staff will be involved in a portfolio company investment and Primus Capital's resources will be made available to help the portfolio companies and their management teams execute their business plans.

## **Risks of Investment**

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

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

*Long-Term Nature of Investment; No Assurance of Investment Return.* A Fund's task of identifying and negotiating investment opportunities, managing such investments and realizing a significant return for investors is typically a long, time-consuming process with no certainty of return on investment. There will likely be little if any near-term cash flow available to a Fund's investors, and there is no assurance that any Fund will be able to invest its capital on attractive terms, generate returns for its investors or return the capital contributed by them. There can be no assurance that the actual rates of return achieved by a Fund will equal or exceed any targeted returns.

*Dependence on Key Personnel.* The success of each Fund will be highly dependent on the financial and managerial expertise of Primus Capital's principals (the "**Principals**") and other individuals employed by Primus Capital and its affiliates. Investors will be relying entirely on such persons to manage the business of the relevant Fund. There can be no assurance that the Principals or the other key investment professionals will continue to be associated with or employed by Primus Capital or its affiliates throughout the life of any Fund. The loss of one or more of these individuals could have a material adverse effect on the performance of any such Fund.

*Reliance on the General Partner and Portfolio Company Management.* Control over the operation of a Fund will be vested with the relevant General Partner, and such Fund's future profitability will depend largely upon the business and investment acumen of the Principals. The Principals currently, and may in the future, manage or advise other investment funds besides such Fund and the Principals may need to devote substantial amounts of their time to the investment activities of such other funds, which poses potential 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 a Fund, and as a result, the investment performance of such Fund will depend on the actions of the relevant General Partner. In addition, certain changes in such General Partner or circumstances relating to the General Partner may have an adverse effect on such Fund or one or more of its portfolio companies including potential acceleration of debt facilities.

Although the relevant 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 each Fund generally intends 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 such Fund's objectives.

*Difficulty of Locating Suitable Investments; Competitive Marketplace.* The success of each Fund will depend on Primus Capital's ability to identify suitable investments, to negotiate the purchase of these investments at a price and on terms acceptable to such Fund, to arrange the closing of appropriate transactions, and to arrange the timely disposition of investments on favorable terms. Although Primus Capital has historically been successful in identifying suitable investments in North America, there can be no assurances that there will be a sufficient number of suitable lower middle market investment opportunities to enable any Fund to invest all of its committed capital in opportunities that satisfy such Fund's investment objective, or that such investment opportunities will lead to completed investments by such Fund. Regardless, limited partners will be required to bear Management Fees through the relevant Fund during the investment period based on the entire amount of such limited partners' Commitments and other expenses as set forth in the relevant Governing Documents. Additionally, identification of attractive investment opportunities generally will be subject to market conditions. A Fund may also face increasing competition for such opportunities over time.

*Dynamic Investment Strategy.* While each General Partner generally intends to seek attractive returns for the relevant Fund primarily through making private equity investments, such General Partner has the right to pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process and investment techniques as it determines appropriate. A General Partner has the right to pursue investments outside of the industries and sectors in which the Principals have previously made investments or have internal operational experience.

*Nature and Illiquidity of Investments.* Most of a Fund's investments will be highly illiquid, and there can be no assurances that any Fund will be able to realize a positive return on such investments. The illiquidity of a Fund's investments is the result of several factors, including the following:

- Each Fund will generally invest in illiquid securities of privately held companies. A Fund will often seek to generate returns by selling these securities in a private sale to a strategic buyer or to another private equity firm. There can be no assurances that any Fund will be able to complete sales of portfolio company securities at attractive prices and otherwise on acceptable terms and conditions.

- A Fund may also attempt to sell portfolio company securities in a public offering. Any such public offering of securities would require a substantial investment of time and attention by Primus Capital and a substantial cash expense by the portfolio company whose securities are being registered, in part because the laws of the U.S. and the various countries in which such securities may be offered, and the regulations of applicable securities exchanges, can be quite burdensome and complex. There can be no assurance a market for the securities of any company held by a Fund would exist even following a public offering.
- The cultivation of an investment for disposition, together with the disposition itself, may involve a substantial amount of time. Even when an investment is successfully disposed, some of the consideration can be deferred through the use of lock ups, earn-outs, promissory notes, escrows, holdbacks and other similar arrangements.

A substantial portion of each Fund's investments will be in equity or equity-related investments which, by their nature, involve business, financial, market, and/or legal risks. While such investments offer the opportunity for significant capital gains, they also involve a high degree of risk that can result in substantial losses. There can be no assurance that Primus Capital will correctly evaluate the nature and magnitude of the various factors that could affect the value of such investments. A variety of other factors that are inherently difficult to predict, such as domestic or international economic and political developments, have the potential to significantly affect the results of a Fund's activities. As a result, Fund performance over a particular period may not necessarily be indicative of the results that may be expected in future periods.

A portion of each Fund's investments could involve turnaround or under-performing companies or companies identified by Primus Capital as being in need of additional capital. The financial condition of such companies may be weak or their balance sheets highly leveraged, and any investments in them has the potential to involve additional risk.

*Impact of Government Regulation, Reimbursement and Reform.* Certain industry segments in which each Fund intends to invest, including various segments of the healthcare and financial services industries, are (or may become) (i) highly regulated at both the federal and state levels in the United States and internationally and (ii) subject to frequent regulatory change. Certain segments may be highly dependent upon various government (or private) reimbursement programs. While each Fund intends to invest in companies that seek to comply with applicable laws and regulations, the laws and regulations relating to certain industries, including in particular the healthcare and financial 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 such 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 a Fund may invest.

*Current Market Conditions.* General economic and other market conditions, including interest rates, the availability of financing, the price of securities, and participation by other investors in the financial markets, may affect any Fund's activities, including the value and number of investments made by such Fund. Moreover, the securities of the portfolio companies could be adversely affected by changes in the general economic climate or the economic factors affecting a particular industry, changes in tax law, or specific developments within such companies or interest rate movements. Each Fund will generally invest in equity securities, which will be among the more junior securities in a portfolio company's capital structure, and, thus, may be subject to greater risk of loss.

*Deterioration of Credit Markets May Affect Ability to Finance and Consummate Investments.* In the event that the global credit markets deteriorate and it becomes more difficult for investment funds such as the Funds to obtain favorable financing for investments, a Fund's ability to generate attractive investment returns may be adversely affected. Moreover, to the extent that such deterioration is not temporary and continues, it 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 deterioration also may restrict the ability of a Fund to realize its investments at favorable times or for favorable prices.

*Leverage.* Each Fund generally will use leverage when making investments in portfolio companies. In addition, a Fund may increase the leverage of a portfolio company by using promissory notes or other indebtedness issued by the portfolio company as part of the purchase consideration. Although each Fund will seek to use leverage in a manner the Principals believe is prudent, the leveraged capital structure of portfolio companies will increase the exposure of those companies to adverse economic factors such as rising interest rates, downturns in the economy, or deterioration in the condition of the portfolio company or its industry. The use of leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, a Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of such Fund. Furthermore, should the credit markets be limited or costly at the time a Fund determines that it is desirable to sell all or a part of a portfolio company, a Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which a Fund will invest generally will not be rated by a credit rating agency. While Fund-level borrowings generally will be interim in nature, asset-level leverage generally will not be subject to any limitations regarding the amount of time such leverage may remain outstanding. A Fund can incur leverage on a joint and several basis with one or more other investment funds and entities managed by the relevant General Partner or any of its affiliates and may have a right of contribution, subrogation or reimbursement from or against such entities. In addition, to the extent a Fund incurs leverage (or provides such guaranties), such amounts may be secured by capital commitments made by such Fund's investors and such investors' contributions may be required to be made directly to the lenders instead of the Fund. Because the securities in which a Fund will invest will likely be among the most junior in a portfolio company's capital structure, the inability of a portfolio company to service its debt obligations could result in a loss of such Fund's investment.

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

*Subscription Lines.* A Fund has the right to enter into a subscription line with one or more lenders in order to finance its operations (including the acquisition of the Fund's investments). Fund-level borrowing subjects limited partners to certain risks and costs. For example, because amounts borrowed under a subscription line typically are secured by pledges of the relevant General Partner's right to call capital from the limited partners, limited partners may be obligated to contribute capital on an accelerated basis if the Fund fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder. Moreover, any limited partner claim against the Fund would likely be subordinate to the Fund's obligations to a subscription line's creditors.

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 has the potential to 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.

A credit agreement may contain other terms that restrict the activities of a Fund and the limited partners or impose additional obligations on them. For example, a subscription line may impose restrictions on the relevant General Partner's ability to consent to the transfer of a limited partner's interest in the Fund. In addition, in order to secure a subscription line, the relevant General Partner can request certain financial information and other documentation from limited partners to share with lenders. The General Partner will have significant discretion in negotiating the terms of any subscription line and has the right to agree to terms that are not the most favorable to one or more limited partners.

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows the General Partner to fund investments and pay partnership expenses without calling capital, potentially for extended periods of time. Calling a large amount of capital at once to repay the then-current amount outstanding under a subscription line could cause short-term liquidity concerns for limited partners that would not arise had the relevant General Partner called smaller amounts of capital incrementally over time as needed by a Fund. This risk would be heightened for a limited partner with commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the limited partner to meet the accumulated, larger capital calls at the same time. A Fund may also utilize Fund-level borrowing when the General Partner expects to repay the amount outstanding through means other than Limited Partner capital, including as a bridge for equity or debt capital with respect to an investment. If the Fund ultimately is unable to repay the borrowings through those other means, limited partners would end up with increased exposure to the underlying investment, which could result in greater losses.

*Need for Additional Capital, Support Equity and Follow-on Investments.* A Fund may be called upon to provide follow-on funding for its portfolio companies for support equity or to finance follow-on investments. There can be no assurance that any Fund will have sufficient funds to do so. Any decision by a Fund not to invest additional capital, or its inability to invest additional capital, has the potential for a substantial negative impact on a portfolio company in need of such an investment or can diminish such Fund's ability to influence the portfolio company's future development.

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

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

*Hedging Arrangements.* A General Partner has the right to endeavor to manage the relevant Fund's or any portfolio company's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. A Fund may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter ("OTC") contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis

or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used.

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

Certain hedging arrangements may create for a 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.

*Public Company Holdings.* A Fund's investment portfolio may contain securities and debt issued by publicly held companies. Such investments may subject a Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of a 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.

*Director Liability.* A Fund 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 a Fund's representatives, and ultimately such 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 a Fund's investment activities.

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

*Lack of Unilateral Control.* Even if a Fund is the majority investor or controlling shareholder, as applicable, of a portfolio company, in certain circumstances it may not have unilateral control of the portfolio company. To the extent the Fund invests alongside third parties, such as institutional co-investors or private equity funds of other sponsors, or makes a minority investment, the relevant portfolio companies may be controlled or influenced by persons who have economic or business interests, investment or operational goals, tax strategies or other considerations that differ from or are inconsistent with those of the Funds or their limited partners. Such third parties may be in a position to take action contrary to such Fund's business, tax or other interests, and a Fund may not be in a position to limit such contrary actions or otherwise protect

the value of its investment. When taking non-control positions, a Fund generally will seek to negotiate certain negative controls and veto rights on major decisions, but there can be no assurance that a Fund will be able to control the timing or occurrence of an exit strategy for such portfolio companies in a manner that maximizes or protects value.

*Limited Access to Information.* Limited partners' rights to information regarding a Fund, the relevant General Partner or Primus Capital 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 Primus Capital's control. Decisions by Primus Capital 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 Primus Capital 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 Primus Capital reserves the right to withhold certain information from investors subject to such laws for reasons relating to Primus Capital's public reputation, business strategy or other reasons.

*Portfolio Concentration.* Although, in general and as required by the relevant Governing Documents, no more than a specified percentage of the Commitments to a Fund will be invested in any one portfolio company (including follow-on investments), a Fund's portfolio may include a small number of large positions. While this portfolio concentration has a goal of enhancing total returns to such Fund's investors, if any large position has a material loss, then returns to such Fund's investors may be lower than if they had invested in a more diversified portfolio.

*General Business Risks.* The investment results of each Fund will depend on the performance of the portfolio companies. These portfolio companies could pursue incorrect business strategies or encounter operating difficulties that could lead to losses in a Fund's investments.

*Unspecified Use of Proceeds.* Purchasers of interests in the Funds will not have an opportunity to evaluate for themselves the relevant economic, financial, and other information regarding the investments to be made by any Fund and, accordingly, will be dependent upon the judgment and ability of the relevant General Partner and the Principals in investing and managing the capital of such Fund. No assurance can be given that any Fund will be successful in obtaining suitable investments, or that if such investments are made, the objectives of such Fund will be achieved.

*Diverse Limited Partner Group.* The Funds' investors are expected to include U.S. taxable and tax-exempt entities, and institutions from jurisdictions outside of the United States. Such

investors may have conflicting investment, tax, and other interests with respect to their investments in the Funds. The conflicting interests of individual investors may relate to or arise from, among other things, the nature of investments made by the relevant Fund, the structuring of the acquisition of investments, and the timing of the disposition of investments and the various tax laws applicable to various investors. As a consequence, conflicts of interest have the potential to arise in connection with decisions made by a General Partner and Primus Capital, including with respect to the nature or structuring of investments, that may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. Subject to provisions specifically included in the applicable Governing Documents, the relevant General Partner generally will consider the investment and tax objectives of a Fund and its investors as a whole in making investments.

*Valuation of Investments.* Generally, the relevant General Partner will determine the value of all the related Fund's investments for which market quotations are available based on publicly available quotations. However, market quotations will not be available for virtually all of a Fund's investments because, among other things, the securities of portfolio companies held by such Fund generally will be illiquid and not quoted on any exchange. Each General Partner will determine the value of all the relevant Fund's investments that are not readily marketable based on ASC 820 guidelines as promulgated by the Financial Accounting Standards Board and any subsequent valuation guidelines required of an investment fund reporting under generally accepted accounting principles as promulgated in the United States. There can be no assurance that the relevant 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. There can be no assurance that the valuation decision of a General Partner with respect to an investment will represent the value realized by the relevant Fund on the eventual disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation. Accordingly, the valuation decisions made by such General Partner have the potential to cause it to ineffectively manage the relevant Fund's investment portfolios and risks, and may also affect the diversification and management of such Fund's portfolio of investments.

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

The combination of such scrutiny can complicate or prevent a Fund's efforts to structure, consummate and/or exit investments, both in general and relative to competing bidders outside of the alternative asset space. As a result, such Fund may invest in fewer transactions or incur greater expenses or delays in completing or exiting investments than it otherwise would have.

*Regulatory Restrictions.* Anti-money laundering, anti-boycott and economic and trade sanction laws and regulations in the United States and other jurisdictions may prevent Primus Capital or the Funds from entering into transactions with certain individuals or jurisdictions. The United States Department of the Treasury's Office of Foreign Assets Control ("OFAC") and other



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

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

*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"). If a Fund is actively marketed to investors domiciled or having their registered office in the EEA in circumstances where no transitional relief is available: (i) a Fund may be subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which may result in a Fund incurring additional costs and expenses; (ii) a Fund and/or the relevant General Partner may become subject to additional regulatory or compliance obligations arising under national law in certain EEA jurisdictions, which may result in a Fund incurring additional costs and expenses or otherwise affect the management and operation of such Fund; (iii) a General Partner may be required to make detailed information relating to the relevant Fund and its investments available to regulators and third parties; and (iv) the AIFMD may also restrict certain activities of a Fund in relation to EEA portfolio companies including, in some circumstances, a 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 a Fund to raise its targeted amount of Commitments.

*Unfunded Pension Liabilities of Portfolio Companies.* Certain 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 each Fund intends to manage its investments to minimize any such exposure, a Fund may, from time to time, invest in a portfolio company that has unfunded pension fund liabilities, including structuring the investment in a

manner where such Fund owns an 80% or greater interest in such a portfolio company. If a Fund (or other 80%-owned portfolio companies of such Fund) were deemed to be liable for such pension liabilities, this could have a material adverse effect on the operations of such Fund and the companies in which the Fund invests. This discussion is based on current court decisions, statute and regulations regarding ERISA control group liability as in effect as of the date of this Brochure, which may change in the future as the case law and guidance develops.

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

*Cybersecurity Risks.* Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject. To the extent that a portfolio company is subject to cyber attack or other unauthorized access is gained to a portfolio company's systems, such portfolio company 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 Primus Capital or one of its service providers holding its financial or investor data, Primus Capital, its affiliates or the Funds may also be at risk of loss, despite efforts to prevent and mitigate such risks under Primus Capital's related policies, including, for example, obtaining an insurance policy for Primus Capital that provides coverage in the event of certain losses relating to a cybersecurity attack.

*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 Primus Capital, 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 Primus Capital, 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 Primus Capital, the General Partner, the Funds and/or their portfolio companies.

*Global Public Health Considerations.* Disease outbreaks and other public health conditions, such as the recent global outbreak of the coronavirus, in markets in which the Fund portfolio companies and/or their consumers, customers, suppliers or manufacturers reside and operate, could have a significant negative impact on the operating revenues, profitability and business of certain Fund portfolio companies. The occurrence of these types of events can result, and in the case of the coronavirus has resulted in, disruptions and damage to the business of affected companies, caused by both the negative impact to such companies' ability to operate normally and the negative impact on consumer purchasing behavior. The coronavirus outbreak continues to be fluid and uncertain, making it difficult to forecast the final impact it could have on affected companies' future operations. If any portfolio companies experience prolonged exposure to the consequences of disease outbreaks, such as the coronavirus, their business could be substantially harmed, which could result in losses to a Fund in respect of such portfolio companies.¶

### **Conflicts of Interest**

Primus Capital 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, investment advisory, management and other services to Funds and portfolio companies. Primus Capital 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 Governing Documents, although the Funds and their respective investments will place varying levels of demand on these over time. In the ordinary course of Primus Capital conducting its activities, the interests of a Fund likely will conflict with the interests of Primus Capital, one or more other Funds, portfolio companies or their respective affiliates in certain circumstances. Certain of these conflicts of interest are discussed herein. As a general matter, Primus Capital will determine all matters relating to structuring transactions and Fund operations using its reasonable judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the advisory committees of the participating Funds.

During the commitment period of a Fund, all appropriate investment opportunities typically will be pursued by Primus Capital through such Fund, subject to certain limited exceptions set forth in the Governing Documents and Primus Capital's allocation policies. Without limitation, the Primus Capital Principals currently, and expect in the future to, manage several other investments similar to those in which a Fund will be investing, and expect to direct certain relevant investment opportunities or resources to those investments. Primus Capital's Principals and investment staff will continue to manage and monitor such investments until their realization.

Such other investments that the Principals expect from time to time to manage and/or control generally have the potential to compete with companies acquired by a Fund. Following the commitment period of the relevant Fund, Primus Capital Principals reserve the right to, and likely will, focus their investment activities on other opportunities and areas unrelated to such Fund's investments.

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

Primus Capital must first determine which Fund(s) will, or are required to, participate in the relevant investment opportunity. Primus Capital generally assesses whether an investment opportunity is appropriate for a particular Fund based on the Governing Documents, investment objectives, strategies, 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. Primus Capital will determine if the amount of an investment opportunity in which a Fund will invest exceeds the amount that would be appropriate for such Fund, and Primus Capital reserves the right to offer any such excess to one or more potential co-investors, as determined by the Governing Documents, Side Letters and Primus Capital's procedures regarding allocation. Primus Capital'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; Primus Capital'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 Primus Capital'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; whether Primus Capital 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 Funds or Primus Capital; and other relevant factors. Although Primus Capital reserves the right to consider a prospective co-investor's willingness to invest in future Funds, such willingness generally will not be the sole determining factor considered by Primus Capital in identifying co-investors.

Furthermore, Primus Capital or its related persons expect to make decisions regarding whether and to whom to offer co-investment opportunities in consultation with other participants in the relevant transactions, such as a lender or co-sponsor. Co-investment opportunities typically

will be offered to some and not to other Fund investors, and the consideration of the factors set forth above has the potential to result in certain investors receiving multiple opportunities to co-invest while others expressing interest in co-investments receive none. When and to the extent that employees and related persons of Primus Capital and its affiliates make capital investments in or alongside certain Funds, Primus Capital and its affiliates are subject to potentially conflicting interests in connection with these investments. There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

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

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

Where multiple Funds invest at the same, different or overlapping levels of a portfolio company's capital structure, there is a potential for conflicts of interest in determining the terms of each such investment, particularly where certain Funds are intended to invest in different types of securities in a single portfolio company. Questions may arise subsequently as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced or restructured. In troubled situations, decisions including whether to enforce claims, or whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any workout or restructuring may raise conflicts of interest, particularly with respect to Funds that have invested in different securities within the same portfolio company.

Potential conflicts are expected to arise when and to the extent a Fund makes investments in conjunction with an investment being made by another Fund, or if it were to invest in the securities of a company in which another Fund has already made an investment. A Fund may not, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Funds. This likely will result in differences in price, terms, leverage and associated costs. Further, there can be no assurance that the relevant Fund and the other Fund(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. Primus Capital and its affiliates may from time to time express

inconsistent views of commonly held investments or of market conditions more generally, including in instances where different portfolio managers express different views regarding the same investment. There can be no assurance that the return on one Fund's investments will be the same as the returns obtained by other Funds participating in a given transaction. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both Funds. In that regard, actions taken for one or more Funds may adversely affect other Funds.

Subject to any relevant restrictions or other limitations contained in the Governing Documents, Primus Capital will allocate fees and expenses in a manner that it believes is fair and equitable to its clients under the circumstances over time and considering such factors as it deems relevant, but in its sole discretion. In exercising such discretion, Primus Capital expects to be faced with a variety of potential conflicts of interest. As a general matter, Fund expenses typically will be allocated among all relevant Funds or co-invest vehicles eligible to reimburse expenses of that kind, but the allocations of such expenses may not be proportional, and such determinations involve inherent matters of discretion (*e.g.*, determining whether to allocate *pro rata* based on the number of relevant Funds and/or co-invest vehicles receiving related benefits or proportionately in accordance with the size of the investment made by such entities, or in certain circumstances determining whether a particular expense has a greater benefit to a Fund or Primus Capital). The Funds generally have different expense reimbursement terms, including with respect to Management Fee offsets, which is expected from time to time to result in the Funds bearing different levels of expenses with respect to the same investment.

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

Additionally, a portfolio company typically will reimburse Primus Capital or service providers retained at Primus Capital's discretion for expenses (including without limitation travel expenses) incurred by Primus Capital or such service providers in connection with its performance of services for such portfolio company. This subjects Primus Capital 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 may be substantial. Primus Capital 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 Primus Capital's valuation of the reimbursing portfolio company contained in each Fund's audited financial statements, and any fee paid or expense reimbursed to Primus Capital 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 potential conflicts of interest.

Primus Capital generally exercises its discretion to recommend to a Fund or to a portfolio company thereof that it contracts for services with certain service providers, and from time to time such service providers are expected to include: (i) Primus Capital or a related person of Primus Capital (which may include a portfolio company of such Fund) or (ii) an entity with which Primus Capital or its affiliates or current or former members of their personnel has a relationship or from which Primus Capital or its affiliates or their personnel otherwise derives financial or other benefit, including without limitation financial institutions or other market participants such as managers of private funds, banks and brokers, in certain cases who have previously invested in a Fund, are affiliated with an existing investor or are engaged in transactions with and/or provide services (including services at reduced rates) to, Primus Capital and/or its affiliates, and/or the Funds or other investment vehicles they advise. This discretion subjects Primus Capital to conflicts of interest, because although Primus Capital 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, Primus Capital has a potential incentive to recommend the related or other person because of its financial or other business interest. Similarly, Primus Capital has a potential conflict of interest with a Fund in recommending such service providers and other persons if the recommendation is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds, will provide Primus Capital information about markets and industries in which Primus Capital operates (or is contemplating operations) or will provide other services that are beneficial to Primus Capital. Primus Capital has a potential conflict of interest in making such recommendations, in that Primus Capital has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for a Fund. Given these incentives, there is a possibility that Primus Capital would favor such retention or continuation even if a better price and/or quality of service could (or could arguably) be obtained from another person. Due to these and other similar factors, Primus Capital will not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses. Although Primus Capital generally seeks appropriate rates for services, it reserves the right to prioritize prior usage, perceived sector competence or expertise, familiarity, onboarding speed or other other factors in retaining or recommending service providers. Whether or not Primus Capital 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.

Primus Capital and/or its affiliates reserve the right to employ personnel with pre-existing ownership interests in portfolio companies owned by the Funds or other investment vehicles advised by Primus Capital and/or its affiliates; conversely, former personnel or executives of Primus Capital and/or its affiliates may from time to time serve in significant management roles at portfolio companies or service providers recommended by Primus Capital.

Although the use of operating partners and the payment (or reimbursement) by a portfolio company of certain of their expenses subjects Primus Capital and/or its affiliates to potential conflicts of interest, Primus Capital believes that such potential conflicts are 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 quality of the services of the operating partner makes a greater contribution to the success of the portfolio company. Although Primus Capital seeks to retain operating partners with a view to reducing costs to portfolio companies and, ultimately, the Funds, a number of factors can result in limited or no cost savings from such retention. Primus

Capital also seeks to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that Primus Capital believes will align such persons' interests with those of the Funds' limited partners.

Because Primus Capital's carried interest is based on a percentage of net realized profits, it creates a potential incentive for Primus Capital 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 creates a potential incentive to deploy capital when Primus Capital may not otherwise have done so. Since Primus Capital is permitted to retain 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, Primus Capital, its personnel, affiliates or others designated by Primus Capital 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 (typically based on the then-present value of such securities), Primus Capital 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 Primus Capital 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.

Primus Capital and/or its affiliates reserve 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, priority co-investment rights or targeted co-investment amounts, and liquidity or 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.

Any of these situations subjects Primus Capital and/or its affiliates to potential conflicts of interest. Primus Capital attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by Primus Capital'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 manner it believes to be fair and equitable



to the Funds under the circumstances over time. To the extent that an investment or relationship raises particular conflicts of interest, Primus Capital will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, Primus Capital consults and receives consent to conflicts from an advisory committee consisting of limited partners of the relevant Fund and such other investment vehicles.

#### **DISCIPLINARY INFORMATION**

Neither Primus Capital nor its management persons have been subject to any material legal or disciplinary events required to be discussed in this Brochure.

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

Primus Capital Partners, Inc. is affiliated with other Primus Capital investment advisers, including General Partners and equivalent entities formed from time to time and subject to the Advisers Act pursuant to Primus Capital's registration in accordance with SEC guidance. These affiliated investment advisers operate as a single advisory business together with Primus Capital Partners Inc. and serve as managers or general partners of private investment funds and other pooled vehicles and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions.

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

Primus Capital has adopted the Primus Capital Code of Ethics and Securities Trading Policy and Procedures (the "**Code**"), which sets forth standards of conduct that are expected of Primus Capital principals and employees and addresses conflicts that arise from personal trading. The Code requires certain Primus Capital personnel to report their personal securities transactions, prohibits or requires pre-clearance for Primus Capital personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering or a limited offering without first obtaining approval from the Primus Capital Chief Compliance Officer, and prohibits Primus Capital personnel from directly or indirectly acquiring beneficial ownership of securities on a restricted list. A copy of the Code will be provided to any investor or prospective investor upon request to Dominic E. Offredo, the Primus Capital Chief Compliance Officer, at (440) 684-7300. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client's interests in client eligible investments.

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

Accordingly, should Primus Capital or any of its affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, Primus Capital would be prohibited from communicating such information to clients, and Primus

Capital will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of Primus Capital personnel serving as directors of public companies and may restrict trading on behalf of clients, including any Fund.

Principals and employees of Primus Capital and its affiliates generally are expected to directly or indirectly own an interest in the Funds, including an Executive Fund or certain co-investment vehicles, as well as in investment vehicles (including private funds) sponsored by potential competitors. To the extent that co-investment vehicles exist, such vehicles are expected to invest in one or more of the same portfolio companies as the Funds. Co-investment opportunities generally are also expected to be presented to certain affiliates of the Advisers, as well as third party investors and other persons, and such co-investments may be affected through co-investment vehicles, directly in a particular portfolio company or through an intermediate entity in a portfolio company's structure. Additionally, the Funds generally have the right to invest together with other private investment funds advised by an affiliated adviser of Primus Capital in the manner set forth in the Governing Documents. Primus Capital will determine the allocation of investment opportunity among the Funds in a manner that it believes is fair and equitable to its clients under the circumstances over time. In making such determination, Primus Capital reserves the right to take into consideration factors such as the following: the client's investment restrictions and objectives (including those set forth in the relevant client's governing documents, where applicable), strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition and cash level and applicable regulatory restrictions. In the case of co-invests, Primus Capital has the right to grant certain third-party investors the opportunity to evaluate specified amounts of prospective co-investments in portfolio companies or otherwise to have priority in co-investment opportunities.

Primus Capital and its affiliates, principals and employees expect from time to time to carry on investment activities for their own account, for personal or employee investment vehicles and, potentially, and for family members, friends or others who do not invest in a Fund, as well as give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, a Fund, even though their investment objectives may be the same or similar. The Governing Documents and investment programs of certain Funds generally restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of certain other vehicles in issuers held by such Funds or give priority with respect to investments to such Funds. Some of these restrictions could be waived by investors (or their representatives) in such Funds or be subject to limitations (*e.g.*, by time or percentage of capital deployed).

In borrowing on behalf of a Fund, Primus Capital is subject to conflicts of interest between repaying its obligations and retaining such borrowed amounts for the benefit of the Fund, and in circumstances where interest accrues on any such outstanding borrowings at a rate lower than the relevant Fund's preferred return, is expected to have incentives to cause the Fund to borrow in this manner rather than drawing down capital commitments. Where a preferred return begins to accrue after capital contributions are due (regardless of when the Fund borrows, makes the relevant investment or pays expenses) and ceases to accrue upon return of these capital contributions, the use of borrowing to shorten the period between calling and returning capital limits the amount of time the preferred return will accrue. In circumstances where there is not a preferred return on funds borrowed in advance or in lieu of calling capital, Fund-level borrowing typically will reduce

the amount of preferred return to which the limited partners would otherwise be entitled had the General Partner called capital, and thus could result in the relevant General Partner receiving carried interest sooner than it would without borrowing. The relevant General Partner generally will not participate in a Fund-level borrowing facility, and generally will not bear the related costs attributable thereto, including interest expenses or costs payable, in which case such amounts will be borne solely by the limited partners. In addition, when the Management Fee is calculated as a percentage of invested capital, a limited partner may pay Management Fees on borrowed amounts used to fund investments that have not yet been realized even though such amounts would not accrue preferred return as described above. It is expected that the costs relating to the establishment and/or maintenance of a subscription line of credit will be significant, and there can be no assurance that the benefits to limited partners will be commensurate with such costs.

### **BROKERAGE PRACTICES**

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

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

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

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

## **REVIEW OF ACCOUNTS**

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

Each Fund will provide to its limited partners (i) annual GAAP audited and quarterly unaudited financial statements, (ii) annual tax information necessary for each Fund investor's tax return and (iii) unaudited semi-annual reports providing a summary status of each portfolio company.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

Primus Capital and/or its affiliates intend to provide certain business or consulting services to companies in a Fund's portfolio and expect to receive compensation from these companies in connection with such services. As described in the Governing Documents, this compensation may, in many cases, offset a portion of the Management Fees paid by the relevant Fund. However, in other cases (*e.g.*, reimbursements for out of pocket expenses directly related to a portfolio company), these fees are in addition to Management Fees. See "Fees and Compensation."

Primus Capital reserves the right from time to time to enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a limited partner in a Fund. Any fees payable to any such placement agents generally will be borne by Primus Capital indirectly through an offset against the Management Fee under the Governing Documents, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, typically are borne by the relevant Fund(s).

## **CUSTODY**

Primus Capital maintains custody of the Funds' assets held in the name of the relevant Fund(s) with the following qualified custodians:

- Key Bank, 127 Public Square, Cleveland, OH 44114
- Silicon Valley Bank, 3003 Tasman Drive, Santa Clara, CA 95054

Primus Capital is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). However, it is deemed to have complied with certain requirements of the Custody Rule with respect to each Fund because it requires that each Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by the Public Company Accounting Oversight Board, and requires that each Fund distribute its audited financial statement to all investors within 120 days of the end of its fiscal year.

## INVESTMENT DISCRETION

Primus Capital has discretionary authority to manage investments on behalf of the Funds. As a general policy, Primus Capital does not allow clients to place limitations on this authority. Pursuant to the terms of the Governing Documents, however, Primus Capital enters into Side letter arrangements with certain investors whereby the terms applicable to such investors' investment in a Fund are altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. Primus Capital assumes this discretionary authority pursuant to the terms of the Governing Documents and powers of attorney executed by the limited partners of the relevant Fund.

## VOTING CLIENT SECURITIES

Primus Capital has adopted the Primus Capital Proxy Voting Policies and Procedures (the "**Proxy Policy**") to address how it will vote proxies, as applicable, for the Funds' portfolio investments. The Proxy Policy seeks to ensure that Primus Capital votes proxies (or similar instruments) in the best interest of the relevant Fund(s), including where there may be material conflicts of interest in voting proxies. Primus Capital generally believes its interests are aligned with those of a Fund's investors through the principals' beneficial ownership interests in such Fund and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that Primus Capital may address the conflict using several alternatives, including by seeking the approval or concurrence of the 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 is authorized to approve Primus Capital's vote in a particular solicitation. Primus Capital does not consider service on portfolio company boards by Primus Capital personnel or Primus Capital'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 Primus Capital when voting proxies on behalf of a Fund. Clients or investors that would like a copy of the Primus Capital's complete Proxy Policy or information regarding how Primus Capital voted proxies for particular portfolio companies may contact Dominic E. Offredo, the Primus Capital Chief Compliance Officer, at [doffredo@primuscapital.com](mailto:doffredo@primuscapital.com) or (440) 684-7300, and it will be provided to you at no charge.

## FINANCIAL INFORMATION

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