

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

PROSPECT PARTNERS, L.L.C.

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March 29, 2021

This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Prospect Partners, L.L.C. (“Prospect Partners”). If you have any questions about the contents of this Brochure, please contact us at (312) 782-7400. 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.

Prospect Partners 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 Prospect Partners is also available on the SEC’s website at www.adviserinfo.sec.gov.

MATERIAL CHANGES

Prospect Partners filed its most recent Form ADV Part 2 on March 25, 2020. This annual amendment updates the descriptions of the business practices of Prospect Partners and its affiliates.

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ADVISORY BUSINESS

Prospect Partners, L.L.C. (“**Prospect Partners**”), the registered investment adviser, is a Delaware limited liability company. Prospect Partners commenced operations in May, 1998. The following general partner entities are affiliated with Prospect Partners:

- Prospect Partners Management Group II, L.P.
- Prospect Partners Management Group III, L.P.

(each, a “**General Partner**,” and together with Prospect Partners and their affiliated entities, “**Prospect**”)

Each General Partner is subject to the Advisers Act pursuant to Prospect Partners’ registration in accordance with SEC guidance. This Brochure also describes the business practices of the General Partners, which operate as a single advisory business together with Prospect Partners.

Prospect provides discretionary investment advisory services to their clients, which consist of private investment-related funds. Prospect’s clients include the following (each, a “**Fund**,” and together with any future private investment fund to which Prospect and/or its affiliates provide investment advisory services, “**Funds**”):

- Prospect Partners II, L.P. (“**Fund II**”)
- Prospect Partners III, L.P. (“**Fund III**”)

Interests in the Funds are privately offered to qualified investors in the United States and elsewhere. The Funds are private equity funds and invest through negotiated transactions in operating companies, generally referred to herein as “portfolio companies.” Prospect’s investment advisory services to Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and ultimately selling such investments. Investments are made predominantly in non-public companies, although investments in public companies are permitted in certain instances. From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of Prospect serve on such portfolio companies’ respective boards of directors or otherwise act to influence control over management of portfolio companies held by Funds.

Prospect’s advisory services to each Fund are detailed in the applicable offering memorandum (each, a “**Memorandum**”) and limited partnership agreements of the Funds (each, a “**Limited Partnership Agreement**” and together with the Memorandum, the “**Governing Documents**”) and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” Investors in Funds participate in the overall investment program for the applicable Fund, but in certain circumstances are excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the Governing Documents; for the avoidance of doubt, such arrangements generally do not and will not create an adviser-client relationship between Prospect and any investor. The Funds or Prospect reserve the right to enter into side letters or similar agreements with certain investors that have the effect of establishing

rights under, or altering or supplementing a Fund's Limited Partnership Agreement, including provisions relating to the Management Fee (as defined below) and distributions.

As of December 31, 2020, Prospect managed \$137,000,000 in client assets on a discretionary basis. Prospect Partners is principally owned by Richard C. Tuttle, Louis W. Kenter and William V. Glastris, Jr. and principally controlled by Messrs. Tuttle and Kenter.

FEES AND COMPENSATION

In general, each General Partner receives a management fee and a carried interest in connection with the provision of advisory services to its clients. The General Partners or other Prospect entities or affiliates receive additional compensation in connection with management and other services performed for portfolio companies (*e.g.*, monitoring and other fees) of Funds and such additional compensation may offset in whole or in part the Management Fees (as defined below) otherwise payable to Prospect, as described in the Governing Documents. Investors in the Funds also bear certain fund expenses, as described below.

Management Fees

During a Fund's commitment period, the Fund generally will pay the relevant General Partner an annual management fee (the "**Management Fee**"), payable quarterly in advance, equal to 2.5% of aggregate commitments. Generally, commencing with the first Management Fee due date after the expiration of the commitment period or earlier upon the occurrence of certain events as set forth in the applicable Governing Documents until the tenth anniversary of the date set forth in the applicable Limited Partnership Agreement, the Management Fee will generally equal 2.5% of (i) the aggregate funded commitments, less (ii) an amount equal to the cost basis of investments that have been disposed of or completely written off (such amount of (i) less (ii), "**Remaining Capital**"). Thereafter, the Management Fee generally will be equal to the lesser of 1.5% of aggregate commitments and 2.5% of Remaining Capital. In addition, the Management Fee generally will be reduced by all or a portion of any transaction fees, directors' fees, financial consulting fees or advisory fees paid to, or earned by, the relevant General Partner or its affiliate with respect to any Fund investment and any break-up fees with respect to Fund transactions not completed that are paid to the relevant General Partner. The General Partners generally are permitted to elect to waive a portion of the Management Fee in exchange for a reduction in the General Partner's capital contribution obligation and/or a corresponding interest in Fund profits. The limited partners of a Fund may be required to make a pro rata contribution according to their respective commitments to fund any contribution that would otherwise be required of the General Partner in connection with any such waiver or reduction as described above and, as a result, the exercise of such waiver or reduction may result in an acceleration (or delay) of investor capital contributions. Waived or reduced Management Fees are not subject to the Management Fee offsets described above, and the amount of such waived or reduced Management Fees has the potential to be significant.

Generally, the Management Fee for a Fund will commence as of the date such Fund went effective based on aggregate commitments, regardless of when a limited partner is actually admitted. The Management Fee will be paid out of current income and disposition proceeds of the Fund and, in the General Partner's discretion, from drawdowns that will reduce unfunded

commitments. Where the Governing Documents calculate Management Fees based on the amount of commitments or the amount of investment contributions, the amount of Management Fees generally will not be reduced based on reductions in investment value, except where specified by the relevant Governing Documents. As a general matter, Management Fees will be payable during term extensions unless otherwise agreed with investors.

Prospect and/or its affiliates generally have discretion over whether to charge transaction fees to a portfolio company and, if so, the fee rate, method and/or amount of such compensation. In most circumstances, such compensation is not reviewed or approved by an independent third party. The receipt of transaction fees generally will give rise to potential conflicts of interest between the Funds, on the one hand, and Prospect and/or its affiliates on the other hand. Portfolio company-related fees may include amounts prepaid in anticipation of future services, which will be offset against the applicable Management Fee to the extent set forth in the relevant Limited Partnership Agreement. Transaction 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.

Additionally, as further described below and in the applicable Memorandum and/or Partnership Agreement of each Fund, Prospect is permitted to use or 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 result in additional offsets to the Management Fee.

Carried Interest

Each General Partner generally will be entitled to a carried interest with respect to the relevant Fund equal to 20% of all realized profits, subject to a specified preferred return and a related General Partner catch-up provision, as more fully described in the Governing Documents. The carried interest distributed to a General Partner is subject to a potential giveback at the end of the life of a Fund if the relevant General Partner has received excess cumulative distributions or at certain interim intervals to the extent provided in the applicable Governing Documents.

Other Information

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

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

In addition to the Management Fee and carried interest payable to the General Partners, each Fund bears certain fees, costs, expenses, liabilities and obligations. As set forth more fully in the Governing Documents, each Fund generally will pay all fees, costs, expenses, liabilities and obligations relating to such Fund's (and its subsidiaries' and intermediate entities') activities,

investments and business (to the extent not borne or reimbursed by portfolio companies), generally including: (i) all costs and expenses attributable to acquiring, holding, monitoring and disposing of the Partnership's investments (including interest on money borrowed by the Partnership, registration expenses and brokerage, finders', custodial and other fees); (ii) legal, accounting, auditing, consulting, financing, accounting and custodian fees and other fees and expenses (including expenses associated with negotiating, consummating, monitoring and disposing of such Fund's investments and the preparation of the Fund's financial statements, tax returns and Schedule K-1s); (iii) extraordinary expenses of such Fund (including litigation costs and expenses and indemnification costs and expenses permitted by the terms of such Fund's Limited Partnership Agreement, judgments and settlements); (iv) the Management Fee; (v) expenses associated with developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software or other administrative or reporting tools for the benefit of the Funds or the limited partners; (vi) all out-of-pocket fees and expenses incurred by such Fund or any General Partner, ultimate general partner, their affiliates and each of their respective managers, officers and employees, and direct and indirect partners, members, shareholders, in their capacity as such, relating to investment and disposition opportunities for such Fund not consummated (including legal, accounting, consulting, break-up or topping fees and other fees and expenses, financing commitment fees, real estate title and appraisal costs, environmental audits, and printing); (vii) expenses of the advisory committee/board and annual meetings of the limited partners; (viii) insurance; and (ix) any taxes, fees or other governmental charges levied against the Fund. As a general matter, broken deal expenses are allocated among Fund investors regardless of whether any individual investor negotiated for an elective or automatic contractual right that would have excused them from participating in the investment. The Funds also bear expenses indirectly to the extent a portfolio company (or intermediate entity) pays expenses, including expenses of Prospect and/or its affiliates. Brokerage fees may be incurred in accordance with the practices set forth in "Brokerage Practices." 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 transaction fees) are expected to be charged to portfolio companies, capitalized into the cost basis of a transaction or, to the extent necessary or desirable for operational, administrative, tax or other reasons, charged at the level of an intermediate holding company between the relevant Fund and the portfolio company. As is typical for private equity funds, the Funds likely bear additional and greater expenses, directly or indirectly, than many other pooled investment products, such as mutual funds, and there can be no assurance that the benefits to investors will be commensurate with such expenses. To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth in "Brokerage Practices."

Operating Partners

Additionally, as further described herein and in the applicable Memorandum and/or Partnership Agreement of each Fund, it is Prospect's practice to employ, use or retain certain operating partners to provide services to (or with respect to) one or more Funds or certain current or prospective portfolio companies in which one or more Funds invest. Such operating partners generally provide services in relation to manufacturing, sales, marketing, technology, human resources, acquisition integration/rationalization and/or other operations services, acquisition or

other due diligence, or similar services to the Funds or any portfolio company or prospective portfolio company of the Funds. Operating partners typically receive compensation, including, but not limited to cash fees, retainers, discretionary bonuses (whether or not based on pre-determined milestones), transaction fees, a profits, participation or equity interest in a portfolio company or holding company, incentive equity and stock awards, profits or equity interests in one or more Funds or General Partners, remuneration from Prospect and/or its Funds or affiliates, guaranteed minimums or other compensation, which typically are determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of such operating partners, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts believed to be charged by other providers for comparable services and/or a percentage of cash flows from such portfolio company. Compensation in the form of profits or equity interests in a portfolio company or intermediate holding company generally has a dilutive impact on the Fund's investment, and the relevant Fund typically will bear the costs of all operating partner compensation as well as fees, costs and expenses of structuring operating partner arrangements. Operating partners also generally will be reimbursed for certain travel and other costs in connection with their services. As described above, no such amounts will offset or reduce the Management Fee. The use of operating partners subjects Prospect 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," each General Partner generally receives a carried interest allocation on certain realized profits in the relevant Fund. A carried interest allocation represents an investment adviser's compensation based on a percentage of net profits of the funds it manages. Prospect does not advise Funds not subject to a carried interest. See "Methods of Analysis, Investment Strategies and Risk of Loss," for further discussion of conflicts of interest. Additionally, to the extent that Prospect has Funds with varying carried interest terms and/or Prospect personnel are assigned varying percentages of carried interest from the Funds, Prospect and such personnel are subject to potential conflicts of interest, to the extent they are involved in identifying investment opportunities as appropriate for Funds from which they are entitled to receive a higher carried interest percentage.

Prospect seeks to address the potential for conflicts of interest in these matters with allocation policies and/or practices 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 Prospect or any personnel.

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

TYPES OF CLIENTS

Prospect provides investment advice solely to its Fund clients, and references throughout this Brochure to "clients" and to prospect'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 investors participating in Funds generally include individuals, banks or thrift institutions, other investment entities, 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 Prospect and its affiliates and members of their families, operating partners or other service providers retained by Prospect, as well as executives of portfolio companies.

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 Governing Documents of the related Fund.

The Funds generally have minimum investment amounts between \$1 million and \$10 million for third-party investors. Generally, investors must be “accredited investors” as defined under Regulation D of the Securities Act of 1933, as amended, and may also be required to be either “qualified purchasers” or “knowledgeable employees” as defined under the Investment Company Act of 1940, as amended. The General Partners generally are permitted to waive such minimum investment amounts and qualification requirements.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

General

Each active Fund is principally focused on management-led leveraged buyouts and recapitalizations of smaller lower middle-market companies.

The following is a summary of the investment strategies and methods of analysis generally employed by Prospect on behalf of the Funds. There can be no assurance that Prospect will achieve the investment objectives of the Funds and a loss of investment is possible.

Investment and Operating Strategy

Prospect seeks smaller lower middle-market companies operating in a niche. Within this diverse marketplace, Prospect partners with management teams to acquire and to seek to build small niche leaders with revenues typically between \$10 million and \$75 million. In addition, for the active Funds, Prospect is permitted to pursue acquisitions of add-on companies with as little as \$2 million in revenue.

Generally, Prospect follows the below criteria when evaluating potential investments:

Types of Companies. Prospect seeks to partner with management teams to acquire and help build companies that occupy the smaller end of the lower middle-market. Prospect focuses on a market segment comprised of companies with revenues between \$10 million and \$75 million and EBITDA up to \$8 million at the time of a Fund’s investment.

Prospect generally seeks to invest in smaller companies in a broad range of industries that it believes have growth potential. Prospect is also interested in smaller companies in a leadership position that can be built upon, as well as in those that have the potential to become niche market leaders.

Prospect seeks companies that it believes:

- are small and growth-ready;
- are in a niche market;
- have a strong and defensible market position;
- are in any of a broad range of markets, including consumer, commercial, manufacturing, distribution, and specialty business and consumer services; and
- are located in the United States.

Types of Investments. Prospect seeks to build companies from a platform business.

Prospect's primary focus is on building growing companies through fostering internal growth and participating in selective add-on acquisitions. In conjunction with strong, industry-knowledgeable management teams seeking an experienced financial partner, Prospect also pursues under-managed companies and leveraged recapitalizations.

Prospect has focused its efforts on the following six types of private equity investments in which it has extensive expertise, interest, and success:

1. Leveraged Recapitalizations
2. Industry Consolidations
3. Corporate Orphans
4. Transitional Sales
5. Under-Managed Companies
6. Backing Independent Equity Sponsors and Outside Operating Executives

Types of Situations. Over the past 25 years, the principals of Prospect have worked closely with business owners to help transition their businesses to the next phase. Prospect understands how important a closely held business is to its owner. Prospect has found three common themes encompassing the types of situations an owner may be in when seeking to transition his or her company to the next phase. The three themes are as follows:

1. Owners Seeking Retirement & Liquidity
2. Owner-Managers Seeking Some Liquidity & Capital for Expansion
3. Manager-Led Acquisitions

Risks of Investment

The Funds and their investors bear the risk of loss that Prospect's investment strategy entails. Although the following risk factors are generally applicable to Prospect's Funds, investors should also refer to each Fund's Memorandum for risk factors specific to their Fund. The risks involved with Prospect's investment strategy and an investment in the Funds include, but are not limited to:

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

Future and Past Performance. The performance of Prospect's prior investments is not necessarily indicative of a Fund's future results. While Prospect intends for the Funds to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that positive returns will be achieved. On any given investment, loss of principal is possible.

Investment in Junior Securities. The securities in which the Funds will invest may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect an investment once made.

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

Lack of Sufficient Investment Opportunities. It is possible that the Fund will never be fully invested if enough sufficiently attractive investments are not identified. The business of identifying, structuring and completing private equity transactions is highly competitive and involves a high degree of uncertainty. However, regardless of the extent to which the capital commitments of the limited partners are invested (or drawn down to be invested), limited partners will be required to bear annual Management Fees through the Fund during the investment period based on the entire amount of their Commitments and other expenses as set forth in the applicable Partnership Agreement.

Illiquidity; Lack of Current Distributions. An investment in a Fund should be viewed as illiquid. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating a Fund

(including the annual Management Fee payable to the General Partner) may exceed its income, thereby requiring that the difference be paid from a Fund's capital, including unfunded commitments.

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

A Fund is also permitted to borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt, a letter of credit or other forms of promise to provide funding) or otherwise be liable therefor, and in such situations, it is not expected that such Fund would be compensated for providing such guarantee or exposure to such liability. The use of leverage by a Fund generally also will result in fees, interest expense and other costs to such Fund that may not be covered by distributions made to such Fund or appreciation of its investments. While Fund-level borrowings generally will be interim in nature, asset-level leverage generally will not be subject to any limitations regarding the amount of time such leverage may remain outstanding. A Fund is permitted to incur leverage on a joint and several basis with one or more other Funds and entities managed by Prospect 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 are permitted to be secured by capital commitments made by such Fund's investors and such investors' contributions may be required to be made directly to the lenders instead of such Fund.

Restricted Nature of Investment Positions. Generally, there will be no readily available market for a substantial number of the Funds' investments, and hence, most of the Funds' investments will be difficult to value. Certain investments may be distributed in kind to the partners and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such limited partners. After a distribution of securities is made to the limited partners, many limited partners may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such limited partners may be lower than the value of such

securities determined pursuant to the Limited Partnership Agreement, including the value used to determine the amount of carried interest available to the General Partner with respect to such investment.

Reliance on the General Partner and Portfolio Company Management. Control over the operation of the Funds will be vested entirely with the General Partner, and a Fund's future profitability will depend largely upon the business and investment acumen of Prospect. The loss of service of one or more of the principals of Prospect could have an adverse effect on the Fund's ability to realize its investment objectives. 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 a Fund will depend entirely on the actions of the General Partner. Although the General Partners will monitor the performance of each Fund investment, it will primarily be the responsibility of each portfolio company's management team to operate the portfolio company on a day-to-day basis.

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

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

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

Material, Non-Public Information; Other Regulatory Restrictions. As a result of the operations of Prospect and its affiliates, as well as in connection with officerships or directorships of Prospect personnel, Prospect may come into possession of confidential or material, non-public information. Therefore, Prospect and its affiliates may have access to material, non-public information that may be relevant to an investment decision to be made by a Fund. Consequently, a Fund may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or Prospect's internal policies and practices.

Similarly, anti-money laundering, anti-boycott and economic and trade sanction laws and regulations in the United States and other jurisdictions may prevent Prospect or the Funds from entering into transactions with certain individuals or jurisdictions. The U.S. 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 U.S. 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 Prospect'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 Prospect 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.

Hedging Arrangements; Related Regulations. A General Partner is authorized (but not obligated) 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 the Fund to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose 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 (the "CFTC") or other regulator or comply with an applicable exemption. Losses may result to the extent that the CFTC or other regulator imposes position limits or other regulatory requirements on such hedging arrangements, including under circumstances where the ability of a Fund or a portfolio company to hedge its exposures becomes limited by such requirements.

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 Prospect intends to manage each Fund's 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 may own an 80% or greater interest in such a portfolio company. If such 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 the Fund and the companies in which such Fund invests. This discussion is based on current court decisions, statute and regulations regarding control group liability under the Employee Retirement Income Security Act of 1974, as amended, as in effect as of the date of this Brochure, which may change in the future as the case law and guidance develops.

Non-U.S. Investments. The Funds are permitted to invest in portfolio companies that are organized or have substantial sales or operations outside of the United States, its territories, and possessions. Such investments may be subject to certain additional risk 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 foreign tax rules to cross-border investments, possible imposition of foreign taxes on a Fund and/or the partners with respect to the Fund's income, and possible foreign tax return filing requirements for the Fund and/or the partners.

Additional risks include: (a) risks of economic dislocations in the host country; (b) less publicly available information; (c) less well-developed regulatory institutions; and (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction. 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.

Director Liability. The Funds will often obtain the right to appoint a representative to the board of directors of the companies in which it invests. Serving on the board of directors 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.

Cybersecurity Risks. Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject, particularly operating companies in historically vulnerable industries such as the food services and retail industries. To the extent that a portfolio company is subject to cyber-attack or other unauthorized access is gained to a portfolio company's systems, such portfolio company may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or portfolio company financial information; (iii) portfolio company software, contact lists or other databases; (iv) portfolio company proprietary information or trade secrets; or (v) other items. In certain events, a portfolio company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. The use of internet- or cloud-based programs, technologies and data storage applications generally heightens these risks. Any of such circumstances could subject a portfolio company, or the Funds, to substantial losses, including losses relating to: misappropriation of assets, intellectual property or confidential information; corruption, deletion or destruction of data; physical damage and repairs to systems; reputational harm; financial losses from remedial actions; and/or disruption of operations. Third parties, including activist, criminal, nation-state or terrorist actors, may also attempt fraudulently to induce portfolio companies or their personnel to disclose sensitive information (including passwords) in order to gain access to data, accounts, funds or other assets, or otherwise to inflict harm. In addition, in the event that such a cyber-attack or other unauthorized access is directed at Prospect or one of its service providers holding financial or investor data, Prospect, its affiliates or the Funds may also be at risk of loss, despite efforts to prevent and mitigate such risks under Prospect's policies and practices.

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

Uncertain Economic, Social and Political Environment. Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises, virus or disease epidemics or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire

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

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

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

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

longer-term impacts of an extended period of unprecedented economic dislocation and disruption will be on future macro- and micro-economic developments, the health of certain industries and businesses, and commercial and consumer behavior.

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

Privacy and Data Protection Law Compliance Risk. The adoption, interpretation and application of consumer protection, data protection and/or privacy laws and regulations in the United States, Europe and other jurisdictions (collectively, "**Privacy Laws**") 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 Prospect, the General Partners, 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 Prospect, 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, as amended, 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 Prospect, the General Partners, the Funds and/or their portfolio companies.

Conflicts of Interest

Prospect and its related entities engage in a 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, legal, management and other services to the Funds and portfolio companies. Prospect will devote such time, personnel and internal resources as are necessary to conduct the business affairs of the Funds in an appropriate manner, as required by the relevant Limited Partnership Agreement, although the Funds and their respective investments will place varying levels of demand on these over time. In the ordinary course of Prospect conducting its activities, the interests of a Fund likely will conflict with the interests of Prospect, one or more other Funds, portfolio companies or their respective affiliates in certain circumstances. Certain of these conflicts of interest are discussed herein.

During the investment period of a Fund, Prospect pursues all appropriate investment opportunities exclusively through such Fund, subject to certain limited exceptions, as described in the applicable Limited Partnership Agreement and Prospect's allocation policies. However, Prospect is generally permitted to manage other investment funds and investments similar to those in which the Funds invest, and expects to direct certain relevant investment opportunities or resources to those investment funds and investments. Prospect personnel reserve the right to manage their own personal investments, whether or not through a formal family office or estate planning structure, and to pay or receive compensation relating to these arrangements. Prospect's investment staff will continue to manage and monitor such investment funds and investments (in the case of investments, until their realization). Prospect's significant investment in a Fund, as well as Prospect's interest in the carried interest with respect to such Fund, operate to align, to some extent, the interest of Prospect with the interest of the partners of such Fund, although Prospect may have economic interests in such other investment funds and investments as well and receive Management Fees and carried interests relating to such interests. Such other investment funds and investments that Prospect controls may compete with a Fund or companies acquired by such Fund. Following the investment period of a Fund, Prospect reserves the right, and likely will, focus its investment activities on other opportunities and areas unrelated to such Fund's investments. Unless restricted by the Governing Documents, Prospect personnel are permitted to serve on boards or act in other roles unaffiliated with Prospect, the Funds or their portfolio companies, including boards of charitable and educational institutions, public companies and former portfolio companies, and receive compensation in connection with such services and roles.

From time to time, Prospect will be presented with investment opportunities that would be suitable for more than one of the Funds and/or other investment vehicles operated by advisory affiliates of Prospect. In determining which investment vehicles should participate in such investment opportunities, Prospect and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. Except as required by the relevant Governing Documents,

Prospect is not obligated to recommend any investment to any particular investment vehicle. Prospect attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by Prospect's advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among such entities in a fair and equitable manner. Where necessary, Prospect consults and receives consent to conflicts from an advisory board consisting of limited partners of the applicable Fund(s) and such other investment vehicles, if any.

Prospect must first determine which Fund(s) will, or are required to, participate in the relevant investment opportunity. Prospect generally assesses whether an investment opportunity is appropriate for a particular Fund based on the Fund's Limited Partnership Agreement, as well as factors including, but not limited to: investment objectives, strategies, life-cycle, structure and other relevant factors. For example, a newly organized Fund generally will seek to purchase a disproportionate amount of investments until it is substantially invested. A Fund generally reserves the right to invest together with other Funds advised by an affiliated adviser of Prospect in the manner set forth in the relevant Partnership Agreements and the Prospect investment allocation policy. Prospect will determine the allocation of investment opportunities among Funds in a manner that it believes is fair and equitable to its clients under the circumstances over time consistent with Prospect's obligations and reserves the right to take into consideration factors such as those set forth above.

Following such determination of allocation among Funds, Prospect will determine if the amount of an investment opportunity in which one or more Funds will invest exceeds the amount that would be appropriate for such Fund(s) and Prospect reserves the right to offer any such excess to one or more potential co-investors, including third parties, as determined by the Funds' Limited Partnership Agreements, side letters and Prospect's procedures regarding allocation. Prospect's procedures permit it to take into consideration a variety of factors in making such determinations. Prospect 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. Although a prospective co-investor's willingness to invest in future Funds from time to time will be considered by Prospect, it generally will not be the sole determining factor considered by Prospect in identifying co-investors.

In certain cases, Prospect will have the opportunity (but, subject to any applicable restrictions or procedures in the relevant Fund's Limited Partnership Agreement, no obligation) to identify one or more secondary transferees of interests in a Fund. In such cases, Prospect will not receive compensation for identifying such transferees, and unless required by the relevant Fund's Limited Partnership Agreement, will not determine whether the opportunity to receive a transfer of Fund interests should be offered to one or more existing Fund investors.

Subject to any relevant restrictions or other limitations contained in the Limited Partnership Agreements of the Funds, Prospect will allocate fees and expenses in a manner that it believes in good faith is fair and equitable to its clients under the circumstances over time and considering such factors as it deems relevant, but in any case in its sole discretion. In exercising such discretion, Prospect 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. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions generally will be made by Prospect or its affiliates using its reasonable judgment, considering such factors as it deems relevant, but in its sole discretion. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion, e.g., in determining whether to allocate pro rata based on number of Funds or co-invest vehicles receiving related benefits or proportionately in accordance with asset size, or in certain circumstances determining whether a particular expense has greater benefit to a Fund or Prospect. The Funds have different expense reimbursement terms, including with respect to Management Fee offsets, which is expected from time to time result in the Funds bearing different levels of expenses with respect to the same investment.

Additionally, a portfolio company typically will reimburse Prospect and/or its affiliates or service providers retained at Prospect and/or its affiliates' discretion for expenses (including without limitation travel expenses) incurred by Prospect or such service providers in connection with its performance of services for such portfolio company. This subjects Prospect 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. Prospect determines the amount of these reimbursements for such services at 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, any fee paid or expense reimbursed to Prospect 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.

In connection with its services to the Funds and their investments, Prospect, its affiliates and personnel expect to receive the benefit of certain tangible and intangible benefits. For example, in the course of Prospect's operations, including research, due diligence, investment monitoring, operational improvements and investment activities, Prospect and its personnel expect to receive and benefit from information, "know-how," experience, analysis and data relating to Fund or portfolio company (as applicable) operations, terms, trends, market demands, customers, vendors and other metrics (collectively, "Prospect Information"). In many cases, Prospect Information will include tools, procedures and resources developed by Prospect to organize or systematize Prospect Information for ongoing or future use. Although Prospect expects its Funds and their portfolio companies generally to benefit from Prospect's possession of Prospect Information, it is possible that any benefits will be experienced solely by other or future Funds or portfolio companies and not by the Fund or portfolio company from which Prospect Information was originally received. Prospect Information will be the sole intellectual property of Prospect and solely for the use of Prospect. Prospect reserves the right to use, share, license, sell or monetize Prospect Information, without offset to Management Fees, and the relevant Fund or portfolio company will not receive any financial or other benefit of such use, sharing, licensure, sale or monetization. Additionally, expenses relating to the Funds or portfolio companies are expected to be charged using credit cards or other widely available third-party rewards programs that provide airline miles, hotel stays, travel rewards, traveler loyalty or status programs, "points," "cash back," rebates, discounts and other arrangements, perquisites and benefits under the available terms of such reward programs. Such

terms are expected to vary from time to time, and any such rewards (whether or not de minimis or difficult to value) generally will inure to the benefit of the personnel participating in the rewards program, rather than the portfolio companies, the Funds or their respective investors; no such rewards will offset Management Fees.

Prospect will not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses. Although Prospect generally seeks appropriate rates for services, it reserves the right to prioritize prior usage, perceived sector competence or expertise, familiarity, onboarding speed or other factors in retaining or recommending service providers. In certain circumstances where Prospect commits or has committed to seek “market” or “arms-length” rates or terms, Prospect will do so in its sole discretion, seeking rates that it has determined in its sole discretion to be reflective of the range of rates in the applicable or related markets. Consequently, Prospect undertakes no minimum amount of benchmarking, and does not represent that any such benchmarking ultimately will be accurate, comparable or relate specifically to the assets or services to which such rates or terms relate. Where such rates or terms include hourly components, Prospect reserves the right to rely on approximations or estimates of time spent for purposes of allocating or charging for services. Any methodology, or choice among methodologies, involves potential conflicts of interest.

Prospect and/or its affiliates reserves the right to enter into side letter arrangements 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.

Because each General Partner’s carried interest is based on a percentage of net realized profits of a Fund, it has the potential to create an incentive for Prospect to cause such Fund to make riskier or more speculative investments than would otherwise be the case. However, Prospect believes that the carried interest does not create a conflict of interest with respect to the Funds and instead operates to align the interests of Prospect with that of the Funds.

Since the General Partners are permitted to retain certain fees (as described under “Fees and Compensation”) in connection with Fund investments, Prospect expects to be subject to a potential conflict of interest in connection with approving transactions and setting such compensation. Prospect manages such conflicts by offsetting the Management Fee by a specified percentage of such fees and by a General Partner’s interest in the carried interest of a Fund. In addition, the potential conflict is further mitigated by the fact that such fees generally are negotiated with the applicable portfolio company’s management team.

In certain circumstances, such as those relating to short- or long-term portfolio company cash or liquidity needs, and regardless of whether the portfolio company is undergoing financial stress, Prospect reserves the right to accrue, defer or forego payments of transaction fees. In such cases, in accordance with the Governing Documents, investors will not receive the benefit of Management Fee offsets with respect to such amounts until they are actually received.

As a result of the Funds' controlling interests in portfolio companies, Prospect and/or its affiliates typically have the right to appoint board members to such portfolio companies (including current or former Prospect personnel or persons serving at their request), or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members approve compensation and/or other amounts payable to Prospect and/or its affiliates.

Prospect 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 Prospect and/or its affiliates; conversely, current or former personnel or executives of Prospect and/or its affiliates are expected from time to time to serve in significant management roles at portfolio companies or service providers recommended by Prospect. Similarly, Prospect, its affiliates and/or personnel maintain relationships with (or invest in) financial institutions, service providers and other market participants, including, but not limited to, managers of private funds, banks, brokers, advisors, consultants, finders (including executive finders and portfolio company finders), executives, attorneys, accountants, institutional investors, family offices, lenders, current and former employees, and current and former portfolio company executives, as well as certain family members or close contacts of these persons. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, Prospect and/or its affiliates, and/or the Funds or other investment vehicles they advise. In other circumstances, these vendors are expected to provide personal banking, private wealth or lending arrangements (including lending arrangements with respect to personal investments in or through Prospect entities) to Prospect personnel and their estate planning vehicles. Prospect expects to be subject to a potential conflict of interest with a Fund in recommending the retention or continuation of a third-party service provider to such Fund or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds, will provide Prospect information about markets and industries in which Prospect operates (or is contemplating operations) or will provide other services that are beneficial to Prospect or one or more other Funds. Prospect expects to be subject to a potential conflict of interest in making such recommendations, in that Prospect has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for a Fund, while the products or services recommended may not necessarily be the best available to a Fund or its portfolio companies.

Prospect, its affiliates, and equity holders, officers, principals and employees of Prospect and its affiliates reserve the right to buy or sell securities or other instruments that Prospect has recommended to a Fund. In addition, officers, principals and employees reserve the right to buy securities in transactions deemed unsuitable for a Fund. Any such transactions are subject to any restrictions in the Fund's Governing Documents and any related policies and procedures set forth in Prospect's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of any Fund. Employees and related persons of

Prospect have, and are expected to continue to have, capital investments in or alongside certain Funds, or in prospective portfolio companies directly or indirectly, as well as in investment vehicles (including private funds) sponsored by potential competitors, and therefore expects to have additional potential conflicting interests in connection with these investments.

Except to the extent prohibited by the Governing Documents, Prospect and its personnel are permitted to market, organize, sponsor or act in other capacities (including as director, founder or manager) for other pooled investment vehicles, accounts or SPACs the investment or business strategy of which does not overlap with the Fund(s) and to receive compensation (including in the form of management fees, performance-based compensation, founders' equity or similar interests) relating thereto. Subject to any limitations imposed by the Governing Documents and anti-“assignment” provisions of the Advisers Act, Prospect and its personnel are also permitted to offer, restructure and monetize interests in Prospect.

In certain circumstances, current or former Prospect personnel are expected to serve in interim or part-time roles at a portfolio company, or provide services to a portfolio company as a secondee or in similar capacities, whether or not while maintaining certain legacy economic arrangements, benefits, support services or indicia of employment at Prospect. Under such arrangements, Prospect and/or the relevant portfolio company is authorized to pay all or a portion of the personnel costs of such employee, or supervise or oversee such employee. These arrangements have the potential to create conflicts of interest, in that amounts paid by a portfolio company in connection with secondee relationships or to former employees generally will not offset or reduce the Management Fee. Due to the nature of secondee relationships, which are often initiated to meet a temporary portfolio company need, the arrangements between such employees and the related portfolio company are expected to change over time, and in many cases will be terminated when the portfolio company is sold or when the position can be filled on a longer-term or permanent basis. Employees may or may not return to Prospect at the end of such secondee arrangement.

In addition, as described above, portfolio companies generally pay certain fees to operating partners and other consultants (including consultants introduced or arranged by Prospect and/or its affiliates that regularly provide services to one or more portfolio companies), and such fees do not offset or reduce the Management Fee as described herein. Operating partners may make use of Prospect's resources or otherwise are associated with Prospect. Prospect and/or its affiliates reserve the right to agree to compensate certain of such persons to the extent portfolio company-related compensation falls below certain specified levels on an aggregate annualized basis, or provide other compensation. Operating partners generally receive investment opportunities, reimbursements and/or other compensation that do not offset or reduce the Management Fee of any Fund, as described herein. To the extent that operating partners are paid retainers or guaranteed minimum compensation amounts, there is the possibility that certain portfolio companies or Funds will bear a greater share of such compensation due to the utilization of the operating partner's services at a time when fewer portfolio companies or Funds make use of such operating partner. Although the use of operating partners and the allocation of compensation paid to them by Prospect, its affiliates and/or the portfolio companies subjects Prospect and/or its affiliates to potential conflicts of interest, Prospect believes that such potential conflicts have the potential to be reduced by the anticipated cost savings to portfolio companies (which is expected to be to the benefit of the applicable Fund(s)) that will result if the cost of the operating partner is lower than

market rates for the services provided and/or if the services of the operating partner align with Prospect's model for the portfolio company and improve portfolio company performance. Although Prospect seeks to retain operating partners with a view to reducing costs to portfolio companies (and, ultimately, the Funds) and/or improving portfolio company performance, a number of factors may result in limited or no cost savings from such retention. Prospect also seeks to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that Prospect believes will align such persons' interests with those of the Funds' limited partners, and seeks to retain only operating partners and service providers which it believes provide a level of service at a value generally consistent with other relevant market alternatives. However, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Prospect has incentives to use or to recommend products or services of one portfolio company to another, which may involve fees, commissions, servicing payments or other compensation. Potential conflicts of interest arise in making such recommendations, as Prospect has incentives to maintain goodwill between it and its former, existing and prospective portfolio companies, and as a result the products or services recommended may not necessarily be the best or lowest cost option. In most cases, the relevant Fund(s) will not consent, participate in the negotiations or be directly involved in such arrangements. Prospect may also utilize the goods produced by and/or the services provided by portfolio companies owned by the Funds, which subjects Prospect and/or its affiliates to potential conflicts of interest. Prospect, however, believes that such potential conflicts are mitigated by the anticipated cost savings to portfolio companies (which is expected to be to the benefit of the applicable Fund(s)) that will result if the negotiated discount rates for goods and services are discounted due to scale or relative to those widely available in the market. Discounted prices or better terms offered by a portfolio company to Prospect, any other portfolio company or third parties may affect the returns of the portfolio company.

Any of these situations subjects Prospect and/or its affiliates to potential conflicts of interest. Prospect attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by Prospect'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, Prospect will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, Prospect 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

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

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Prospect Partners is affiliated with the General Partners and equivalent entities formed from time to time and subject to the Advisers Act pursuant to Prospect Partners' registration in accordance with SEC guidance. These entities operate as a single advisory business together with Prospect Partners and serve as general partners of the Funds and other pooled vehicles and may share common owners, officers, partners, employees, consultants or persons occupying similar positions.

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

Prospect has adopted a Prospect Code of Ethics and Securities Trading Policy (the “Code”), which sets forth standards of conduct that are expected of Prospect principals and employees and addresses certain conflicts that have the potential to arise from personal securities trading. The Code requires Prospect personnel to:

- report their personal securities transactions;
- pre-clear any proposed purchase of any initial public offering or limited offering; and
- comply with policies and procedures reasonably designed to prevent the misuse of, or trading upon, material, non-public information.

A copy of the Code will be provided to any investor or prospective investor upon request to the Prospect Chief Compliance Officer at (312) 782-7400. Personal securities transactions by Prospect personnel are required to be conducted in a manner that prioritizes the client's interests in client eligible investments.

Prospect and its affiliated persons may 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, Prospect and its affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of Prospect.

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

Principals and employees of Prospect and its affiliates generally are expected to directly or indirectly own an interest in the Funds or certain co-investment vehicles. 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-invest opportunities generally are also expected to be presented to

certain affiliates of Prospect, as well as third party investors and other persons, and such co-investments may be effected through co-invest vehicles, directly in a particular portfolio company or through an intermediate entity in a portfolio company's structure. Such co-investment opportunities generally will be allocated in the manner described under "Methods of Analysis, Investment Strategies and Risk of Loss."

The Funds generally reserve the right to invest together with other Funds advised by an affiliated adviser of Prospect in the manner set forth in the Governing Documents. Prospect will allocate investment opportunities or advisory recommendations on a fair and equitable basis, consistent with its fiduciary obligations, the underlying documents for the relevant Fund and the Prospect investment allocation policy.

Prospect 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 for family members, friends or others who do not invest in the Funds, as well as give advice and recommend securities to vehicles that may differ from advice given to, or securities recommended or bought for, the Funds, even though their investment objectives may be the same or similar.

BROKERAGE PRACTICES

Prospect 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, Prospect reserves the right also distribute securities to investors in the Funds or sell such securities, including through using a broker-dealer, if a public trading market exists. Although Prospect 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 Prospect sells publicly traded securities for a Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by Prospect. In such event, Prospect will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, Prospect 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; (iv) gross compensation paid to the broker; and (v) the financial strength of the broker.

Prospect 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 Prospect 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 Prospect 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 Prospect generally does not make use of such services at the current time. As a general matter, research provided by these brokers would be used to service all of Prospect's Funds. However, each and every research service may not be used for the benefit of each and every Fund managed by Prospect, and brokerage commissions paid by one Fund may apply towards payment for research services that might not be used in the service of such Fund.

To the extent that Prospect allocates brokerage business on the basis of research services, it expects to have an incentive to select or recommend broker-dealers based on the interest in receiving such research or other products or services, rather than based on its Funds' interest in receiving most favorable execution.

Prospect does not anticipate engaging in significant public securities transactions; however, to the extent that Prospect engages in any such transactions, orders for the purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for any Funds are completed independently, Prospect also reserves the right to purchase or sell the same securities or instruments for several Funds simultaneously. From time to time, Prospect expects, but is not obligated, to purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or "batched" to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs.

When an aggregated order is filled in its entirety, each participating Fund generally will receive the average price obtained on all such purchases or sales made during such trading day.

When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a *pro rata* basis to each Fund participating in such buy or sell order. Each Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to *pro rata* allocations are permissible; provided Prospect believes they are fair and equitable to its clients under the circumstances over time.

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, Prospect closely monitors companies in which the Funds invest, and the Chief Compliance Officer periodically checks to confirm that each Fund is managed in accordance with its stated objectives.

Prospect will generally provide to its limited partners (i) audited financial statements annually, (ii) unaudited financial statements for the first three quarters of each fiscal year, (iii) annual tax information necessary for each partner's U.S. tax returns, and (iv) descriptive investment information for each portfolio company periodically.

CLIENT REFERRALS AND OTHER COMPENSATION

Prospect and/or its affiliates provide certain business or consulting services to companies in a Fund's portfolio and receive compensation from these companies in connection with such services. As described in the Governing Documents, this compensation will, in certain circumstances, offset a portion of the Management Fees paid by a Fund. However, in other circumstances, these fees are in addition to the Management Fees. Prospect or certain of its affiliates reserve the right to receive certain non-investment advisory fees in connection with the Funds' investments and portfolio companies. For example, Prospect may be entitled to receive (i) certain professional services or related fees from a portfolio company in connection with certain transactions and (ii) certain monitoring or consulting fees from a portfolio company for services provided to the portfolio company. A portion of such fees may be offset against the Management Fee in accordance with the relevant Fund's Governing Documents. See "Fees and Compensation."

Prospect 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 Prospect directly or 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

As required by the Advisers Act, Prospect has established an account with the following qualified custodians to hold funds and securities on behalf of the Funds:

- The Northern Trust Company, 50 S. LaSalle Street, Chicago, IL 60610
- Delaware Trust Company, One Little Falls Centre, 2711 Centerville Road, Wilmington, DE 19808

INVESTMENT DISCRETION

Prospect has discretionary authority to manage investments on behalf of the Funds. As a general policy, Prospect does not allow clients to place limitations on this authority. Pursuant to the terms of the Limited Partnership Agreements, however, Prospect have entered, and expect to enter, into side letter arrangements with certain limited partners whereby the terms applicable to such limited partner's investment in a Fund are be altered or varied, including, in some cases, the right to opt out of certain investments for legal, tax, regulatory or other agreed-upon reasons. Prospect assumes this authority pursuant to the terms of the Governing Documents.

VOTING CLIENT SECURITIES

Prospect has adopted Proxy Voting Policies and Procedures (the "**Proxy Policy**") to address how it will vote proxies, as applicable, for a Fund's portfolio investments. The Proxy Policy seeks to ensure that Prospect votes proxies (or similar instruments) in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. Prospect

generally believes its interests are aligned with those of a Fund's investors, for example, through the principals' beneficial ownership interests in the Funds 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 Prospect may address the conflict using several alternatives, including by seeking the approval or concurrence of a 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 Prospect's vote in a particular solicitation. Prospect does not consider service on portfolio company boards by Prospect personnel or Prospect'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 Prospect when voting proxies on behalf of a Fund. Clients or investors that would like a copy of Prospect's complete Proxy Policy or information regarding how Prospect voted proxies for particular portfolio companies may contact the Prospect Chief Compliance Officer at (312) 782-7400, and it will be provided at no charge.

FINANCIAL INFORMATION

Prospect 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.