



Form ADV Part 2A Brochure

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This brochure provides information about the qualifications and business practices of Lone Star Americas Acquisitions, Inc. ("LSAA") and its relying advisers, including Lone Star Global Acquisitions, Ltd. ("LSGA"). Together, LSAA, its relying advisers and its participating affiliates (*See* Item 10) are referred to herein as "Lone Star". If you have any questions about the contents of this brochure, please contact us at 214-754-8300. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Lone Star is also available on the SEC's website at: www.adviserinfo.sec.gov. Registration as an investment adviser does not imply a certain level of skill or training.

Item 2: Material Changes

This brochure, dated March 31, 2021, updates our brochure dated July 23, 2020. This brochure contains routine annual updates, as well as certain other updates, including those regarding payments of fees and expenses by advisory clients, risk factors and conflicts of interest.

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Item 4: Advisory Business

For purposes of this brochure, “we,” “us,” “our,” “LSGA,” and “Lone Star” refer to LSAA, together with its relying advisers, including LSGA, and its participating affiliates (*See* Item 10).

A. Organization

Founded in 1995, Lone Star is a global private equity firm advising Funds (as defined below) that invest globally in real estate, equity, credit and other financial assets. Lone Star provides investment advisory and related services to families of closed-end private funds (the “Funds”) and certain related investment vehicles as discussed under “Advisory Clients” below (which we refer to collectively with the Funds as our “Clients”) from offices in North America, Europe, Asia, and Latin America.

LSGA, a Bermuda exempted limited company, was formed in 1998. The common shares of LSGA are wholly owned by Mr. John Grayken. LSGA directly or indirectly owns 100% of the filing adviser LSAA and each of the relying advisers and participating affiliates listed in Item 10.

Prior to 2007, the Funds made all of their investments in a single fund family. In 2007, Lone Star decided to utilize separate Funds for commercial real estate-related investments (generally known as its “Real Estate Funds”) and for all other investment classes, including non-commercial real estate loans and securities (single-family residential, consumer, and corporate) and financial and other operating companies (generally known as its “Opportunity Funds”). In 2014, Lone Star organized the first in a fund series focused on U.S. single family residential mortgage loans and related investments. In 2019, Lone Star organized a fund focused on value-add commercial real estate investments.

B. Advisory Clients

As set forth below, our advisory Clients are the Funds. From time to time, we also form capital around particular or multiple investment strategies or themes, or establish, for a specific investment, investment vehicles through which certain persons generally invest alongside one or more Funds (each, a “Co-Investment Vehicle”). Co-Investment Vehicles do not include the Employee Investment Vehicles (as defined below). The investors in Co-Investment Vehicles may consist of investors in the respective Fund(s) as well as investors that have not invested in the respective Fund(s).

C. Nature of Advisory Services

The Funds invest in a broad range of financial and other investment assets in various U.S. and non-U.S. jurisdictions, subject to the specific objectives and restrictions in each Fund’s organizational or offering documents and/or side letter agreements negotiated with its investors (collectively, together with any amendments, agreements, supplements and/or restatements and

relevant Advisory Committee (defined below) consents, the “Governing Documents”). These assets include, but are not limited to:

- Commercial and single family residential real estate-secured debt, corporate debt and consumer debt (including newly or recently issued loans as well as more seasoned assets);
- Direct and indirect equity investments in real estate and real estate-related assets;
- Control investments in financially oriented and other operating companies; and
- Securitized products such as residential mortgage-backed securities (“RMBS”), collateralized debt obligations (“CDOs”) (the underlying assets of which generally consist of RMBS), commercial mortgage-backed securities (“CMBS”), and other asset-backed securities (“ABS”), as well as entering into other derivative instruments related to any of the foregoing investment types.

A Fund may invest in assets directly or indirectly through special purpose entities formed to hold the Fund’s investments (each a “Special Purpose Vehicle” or “SPV”).

D. Advisory Services and Related Agreements.

We generally provide investment advisory services to each Client pursuant to a separate investment advisory agreement, each of which we refer to as an “Advisory Agreement.” Each Client’s Advisory Agreement sets forth the terms of the investment advisory services we provide to the Client. Investment guidelines for each Client are generally established in its Governing Documents. We provide investment advice directly to Clients, and not to their underlying investors.

E. Investment Process

LSGA maintains an investment committee for each currently investing Fund that is responsible for evaluating potential investments for such Fund. If an investment is approved by the investment committee, it is presented to the general partner of the applicable Fund for final approval. The general partners of the Funds (each a “General Partner” and collectively the “General Partners”) are related persons of LSGA. The investment committee and investment approval process for each Fund is provided in its Governing Documents.

F. Assets Under Management

As of December 31, 2020, Lone Star managed on a discretionary basis a total of \$37,951,642,246 of Client assets.

Item 5: Fees and Compensation

A. Management Fees

Clients generally pay a management fee to LSGA for its advisory services. Management fees paid by Clients are indirectly borne by their investors. Depending upon the stage in a Fund's life cycle, management fees are based on the committed capital of investors to the Fund or investors' outstanding capital contributions. The Funds and their limited partners continue to pay a management fee with respect to each investment that has not returned all of its capital or been written down as prescribed by the Funds' Governing Documents. Accordingly, a lower aggregate management fee will likely be paid with respect to an investment that quickly returns capital than for an investment of similar size that does not return capital as quickly. Management fees may be reduced during the life of a Fund. The fee structures described herein may be modified from time to time. Management fees may differ from one Client to another, as well as among investors in the same Client. Each Client's Governing Documents set forth the precise amount of, and the manner and calculation of, the management fees.

The management fees paid by a Fund will generally be offset by: (i) the amount of fees paid by such Fund to persons acting as a placement agent in connection with the offer and sale of interests in such Fund to certain potential investors, (ii) the fees and expenses incurred by LSGA or a Fund's General Partner in connection with the organization and marketing of a Fund that exceed a limit specified in such Fund's Governing Documents and/or (iii) Additional Fees (as defined below). After any reimbursement to Lone Star or a Fund's General Partner of expenses incurred on behalf of a Fund that are permitted to be reimbursed under the Fund's Governing Documents, the Fund's allocable share of management fee will generally be reduced by amounts payable to Lone Star, a Fund's General Partner, or their affiliates with respect to monitoring, transaction, closing, financial advisory, investment banking, director, break-up fees, or topping fees with respect to the business of a Fund, but excluding any fees payable to Hudson (as defined below) or Affiliated Service Providers (as defined below), ("Additional Fees"). Determinations as to whether the activities giving rise to potential Additional Fees fall within the above-referenced categories are made by the General Partners in their sole discretion. The amount and manner of such offsets and reductions, if any, is set forth in the Governing Documents of the applicable Fund.

B. Advisory Services and Administrative and Support Services

Hudson Advisors L.P. ("HAL"), a related person of Lone Star and an SEC-registered investment adviser in reliance on the registration of its wholly-owned subsidiary Hudson Americas L.P. ("HAM"), provides investment advisory and related services to the Funds. HAL, HAM, and HAM's participating affiliates (collectively, "Hudson") typically provide underwriting/due diligence and analysis services with respect to potential Fund investments to support Lone Star's evaluation and execution of such investments, including (i) preliminary underwriting of potential investments, (ii) market assessments/research, (iii) development of models for evaluating potential Fund investments, and (iv) full financial review and analysis,

which includes a complete bottom-up, asset-based due diligence evaluation of the transaction. In some cases, certain of these services will be undertaken before a specific investment target has been identified. After an investment is acquired, Hudson is engaged to provide asset management services. Lone Star is not involved in the day-to-day asset management of Fund investments, but rather provides strategic oversight and advice with respect to the management and ultimate resolution of these assets. From initial due diligence of potential investments to final disposition of an investment, Hudson also provides certain ancillary services to the Funds and their investments that work in tandem with asset management, including, but not limited to, legal, compliance, audit, accounting, administration, reporting, cash management, hedging, tax, risk management advice, periodic reporting, operating company oversight, communications, information technology development and other similar and related services. Hudson also provides certain ancillary and other services directly to Lone Star in connection with Lone Star's business and general operations, which may include legal, compliance, audit, accounting, administration, reporting, cash management, human resources, tax, risk management advice, information technology development, hedging, and other similar and related services. Further information regarding Hudson and its services, including compensation paid to Hudson and associated conflicts of interest, may be found in Items 5, 10, and 11 and in the Form ADV Part 2A brochure for Hudson.

The General Partner of each Fund expects to retain Hudson to provide underwriting/due diligence and analysis, asset management, and ancillary and other support services to Clients and/or SPVs. Hudson will receive fees from a Client or fund investment for such services as set forth in the Client's Governing Documents (such fees, "Hudson Fees"). The methodology for determining Hudson Fees for underwriting/due diligence and analysis and ancillary and other support services is fixed. Such fees are based on hourly billing rates that are periodically benchmarked against the rates charged by third-party service providers for the same or similar services. Hudson Fees for asset management services are negotiated periodically and will vary within the applicable maximum asset management fee limits. Such limits represent the maximum amount to be paid by a Fund on an average basis for the particular asset type over the life of the Fund. Asset types are determined based on the predominant nature of an investment at the time of acquisition. The basis for actual asset management fees is charged against the net book value of the assets (i.e., cost of the assets net of any dispositions) as of the last business day of the preceding month. To the extent that asset management services are rendered in connection with an asset that does not have a net book value (e.g., post-disposition collections, etc.), Hudson will charge a flat fee based on the estimated scope of work, as approved by Lone Star. Any such Hudson Fees are subject to the applicable maximum asset management fee limit.

Hudson Fees are in addition to any other compensation Clients pay to LSGA or the General Partners (as applicable), including the management fee and Carried Interest (as defined below), and will not reduce or offset the management fee payable to LSGA or Carried Interest payable to a General Partner. Further information regarding Hudson Fees is discussed in Item 11 – "Hudson," including associated conflicts of interest.

C. Fees Charged by Affiliated Service Providers

The General Partner of each Fund may engage service providers owned by one or more Funds or by Hudson or its affiliates (“Affiliated Service Providers”) to provide services to the Fund as set forth in the Fund’s Governing Documents. The fees that an Affiliated Service Provider will receive from a Fund are set forth in the Fund’s Governing Documents. Fees paid to such Affiliated Service Providers are in addition to any other compensation clients pay to Lone Star and Hudson, including management fees and Hudson Fees, and will not reduce or offset such management fees or Hudson Fees. Further information regarding Affiliated Service Providers, including conflicts of interest associated with such arrangements, is discussed in Item 11 – “Affiliated Service Providers”.

D. Expenses

The Funds’ expenses reduce the amount of capital available to be deployed by the Funds in investments and the actual returns realized by investors on their investments. Fund expenses include recurring and regular items, as well as extraordinary expenses which may be hard to budget or forecast. As a result, the amount of expenses ultimately borne by one or more of the Funds at any one time may exceed expectations.

A Fund will pay or reimburse its General Partner, Lone Star, Hudson, and their affiliates for all expenses related to the Funds’ operations, including expenses incurred in pursuit of investments that upon initial review appeared to meet a Fund’s investment guidelines and that the Fund undertook efforts in furtherance of investing in, but which did not become an investment of the Fund (“Unconsummated Transaction Expenses”). Examples of such Unconsummated Transaction Expenses include, but are not limited to, commitment fees that become payable in connection with a proposed investment that is not ultimately made; legal, tax, accounting, financing, advisory, and consulting fees and expenses; travel, accommodation and related expenses; transaction fees; brokerage commissions; litigation expenses; printing expenses; any liquidated damages; and reverse termination fees and similar payments.

As described further in each Fund’s Governing Documents, whether the Fund makes any profits or not, the Fund will also pay and bear all expenses related to its operations, which encompass a broad range of expenses and include, but are not limited to, costs, fees, charges and/or expenses related to:

- developing, bidding on, evaluating, negotiating, structuring, obtaining regulatory approvals for, purchasing, trading, settling, monitoring, maintaining custody of, holding and disposing of actual or potential investments, including without limitation any financing, legal, accounting, advisory and consulting expenses and any travel, accommodation and related expenses (as more fully described below) in connection therewith, including any costs, fees, charges or expenses related to the syndication of a co-investment opportunity and any insurance, indemnity, litigation, investigation or similar expense;

- the organization, maintenance, and liquidation of any entity (including SPVs, joint ventures, intermediate entities or other vehicles through which the Fund or its limited partners directly or indirectly acquire, hold or dispose of any investment, or entities otherwise facilitating the Fund's investment activities), including without limitation travel, accommodation and related expenses related to such entity, and costs and expenses (including airfare and lodging) of the meetings of officers, managers, directors, general partners or managing members of such entities, and costs and expenses associated with the leasing of office space for such entities, and the costs and expenses of insurance (including brokerage and placement thereof);
- the organization, marketing, offering, and closing of Funds, including but not limited to, the cost of all legal expenses, travel, and other related expenses, costs for capital raising and investor related services, preparation and review of marketing and other investor materials, costs for diligencing potential investors, costs for diligencing and engaging placement agents, and other similar costs and expenses of negotiating side letters or other documents entered into with investors;
- attorneys, accountants, administrative services, auditors, advisors (including tax advisors) and administrative agents, in each case, whether in-house (with respect to Hudson) or external; expenses of depositaries, loan servicers, property managers, and other service providers (including Hudson and Affiliated Service Providers), custodians, trustees and other third-party professionals; valuation costs (including expenses incurred in connection with services performed by any affiliate or independent valuation advisor);
- any consultants (including individuals consulted through expert network consulting firms), banks, investment banks, brokerage commissions and other similar commissions, the cost of trading (including trading errors), the cost of borrowings, guarantees (including expenses associated with any Fund's general facility and any Fund's working capital facility), and other financing or derivative transactions (including interest, fees and related legal expenses);
- hedging, foreign exchange and currency conversion;
- obtaining, developing, implementing and maintaining technology (including software and the costs of any professional service providers) in connection with the Fund, its investors, or its investments;
- on-going reporting, including investor reporting and any investor-related expenses, including but not limited to, responding to U.S. Freedom of Information Act ("FOIA") or other disclosure requests;
- compliance matters and regulatory filings relating to the Fund and its activities (including, without limitation, expenses relating to the preparation of reports to be filed with the U.S. Commodity Futures Trading Commission (the "CFTC"), the U.S. Bureau of Economic Analysis, the Federal Reserve, and the U.S. Department of Commerce; reports, disclosures, filings and notifications prepared in accordance with the

Alternative Investment Fund Managers Directive (2011/61/EC); and/or other regulatory filings, notices or disclosures by LSGA and/or its affiliates relating to the Fund's activities), any related service providers appointed, in connection with the laws, rules, regulations or similar requirements of jurisdictions in which the Fund engages in activities (or in which any investor is resident or established), including any notices, reports, or filings (including those in connection with the offering of interests and costs associated with any related regulations, costs, expenses, charges or fees relating to the Fund and its activities);

- any insurance including but not limited to general partner liability or other insurance for the benefit of those persons required to be indemnified by a Fund pursuant to its Governing Documents and other insurance of which Lone Star and its affiliates are beneficiaries;
- auditing, accounting, market data and research; reporting-related expenses, charges and related costs (including preparation and delivery of financial statements, tax returns, K-1s and other communications or notices relating to the Fund including investor reporting, notices and communications);
- any federal, state or other taxes and tax penalties, fees, or other governmental charges imposed on or assessed against the Fund (subject to certain limitations set forth in the Fund's Governing Documents); and
- ongoing compliance with the provisions of any side letters or other documents entered into with investors.

Each Fund will also bear any extraordinary expenses it may incur, including any litigation, arbitration or settlement expenses involving any such Fund, any investment or entities in which it has an investment or otherwise relating to such investment, and the amount of any judgments or settlements paid in connection therewith. Further, while the general operating expenses of a Fund's General Partner, Lone Star, Hudson, or their affiliates (including payroll and other overhead costs and taxes) are not paid or reimbursed directly by the Funds, Hudson's and Affiliated Service Providers' overhead costs of resources deployed, as incorporated into their billing rates, include, but are not limited to, the costs of employee compensation and benefits (e.g., salary, bonus, benefits, incentive compensation, payroll taxes, recruiting fees, education and training, and severance), office leases and occupancy costs (e.g., rent, utilities, furniture and equipment, moving expenses, and leasehold improvements), information technology and related support (e.g., applications, subscriptions, data/cybersecurity protection), regulatory compliance, human resources, accounting and internal audit, services by certain internal professional personnel, insurance, taxes, and other operating costs (e.g., professional fees, travel, and employee-relations activities, working meals, publications and dues, supplies, and shipping costs). Additionally, Hudson Fees will incorporate administrative costs related to Employee Investment Vehicles. To the extent such overhead and Employee Investment Vehicle costs are incorporated into Hudson Fees and Hudson's billing rates and such overhead costs are incorporated into the fees and billing rates of other Affiliated Service Providers, such costs will be borne by the Funds (including in many instances indirectly through SPVs) and

will not offset the management fee payable to LSGA. Hudson makes final calculations as to the actual costs incurred as of year-end and adjusts the billing rates for such year accordingly, which may result in billing rate increases or adjustments of fees previously charged.

Travel, accommodation and related expenses described herein include, without limitation, first class and/or business class airfare (and/or private charter, as may be permitted by the respective policies of Lone Star, Hudson and/or their affiliates), first class lodging, ground transportation, travel and premium meals (including, as applicable, closing dinners and mementos, cars and meals (outside normal business hours), and social and entertainment events with portfolio company employees, customers, clients, borrowers, brokers and service providers) and related costs and expenses incidental thereto.

From time to time, Lone Star will be required to decide whether costs and expenses are to be borne by a Client, on the one hand, or Lone Star, Hudson, a General Partner's, or one or more other Clients, on the other, and whether certain costs and expenses should be allocated between or among certain Clients. Lone Star will make such allocation judgments in its fair and reasonable discretion, notwithstanding its interest in the outcome, and may make corrective allocations should it determine that such corrections are necessary or advisable. There can be no assurance that a different manner of allocation would not result in one or more of Clients bearing less (or more) expenses. If the expenses incurred in connection with a particular matter should be borne in part by a Fund and in part by a Fund's General Partner or Lone Star, then such expenses will be allocated between the Fund and the Fund's General Partner or Lone Star as determined by Lone Star in good faith to be equitable.

Further information regarding expenses is discussed in Item 11 – "Expense Allocations."

E. Fees and Expenses Paid by Co-Investment Vehicles

Fee and expense arrangements for investors in Co-Investment Vehicles are often different from those of investors in the Funds, and management fees, Carried Interest, costs and expenses, and other amounts may be reduced or waived for the benefit of one or more Co-Investment Vehicles and/or co-investors. Co-Investment Vehicles generally do not bear any share of Unconsummated Transaction Expenses for other investments pursued by the Funds that would not have been made by such Co-Investment Vehicles. Further information regarding Co-Investment Vehicles is discussed in Item 11 – "Co-Investors".

F. Fees and Expenses Paid by Employee Investment Vehicles

Certain employees, officers, directors, executives, members and contractors of Lone Star, Hudson, and their affiliates ("Key Employees") are given the opportunity to participate with Clients in investments by Clients through employee investment vehicles (each, an "Employee Investment Vehicle"). Employee Investment Vehicles do not pay any fees to Lone Star, Carried Interest, or other Fund-level expenses, but do bear a pro rata portion of the Unconsummated Transaction Expenses incurred by the corresponding Client(s). Employee Investment Vehicles do not directly pay any Hudson Fees, but receive distributions from the underlying investments

net of Hudson Fees, transaction costs, and other fees and expenses allocated to the investment. Further information regarding the employee co-investment arrangements is discussed in Item 11 – “Employee Investment Vehicles”.

Item 6: Performance-Based Fees and Side-by-Side Management

The General Partner of each Fund receives a carried interest, which is a certain percentage of the actual returns of each investment made by the relevant Fund provided that certain performance hurdles are achieved (“Carried Interest”). Certain associated persons of Lone Star and Hudson have interests in one or more of the General Partners and receive a portion of such Carried Interest. Payment of the General Partner’s Carried Interest will generally occur on an investment-by-investment basis after all capital contributed for such investment is returned and a specific preferred return on such investment is realized and paid to the relevant Fund's limited partners. The specific structure of each Fund’s Carried Interest is detailed in its Governing Documents. Further information regarding Carried Interest is discussed in Item 11 – “Carried Interest”.

Item 7: Types of Clients

See Item 4 – “Advisory Business.”

LSGA currently provides investment services to the Clients. The other relying advisors (as well as LSAA) and participating affiliates listed in Item 10 below provide advisory services to LSGA.

Interests in the Clients are offered pursuant to applicable exemptions from registration under the U.S. Securities Act of 1933, as amended (the “Securities Act”) and the U.S. Investment Company Act of 1940, as amended (the “Investment Company Act”). Investors in the Clients are generally “accredited investors” within the meaning of Regulation D promulgated under the Securities Act and “qualified purchasers” as defined in the Investment Company Act, and may include, among others, high net worth individuals, banks, thrift institutions, pension and profit sharing plans, trusts, estates, charitable organizations, university endowments, corporations, limited partnerships and limited liability companies or other entities.

Lone Star does not have a minimum size for a Client, but minimum investment commitments may be established for investors in the Clients. The General Partner of each Client may in its sole discretion permit investments below the minimum amounts set forth in the Governing Documents of such Client.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

A. Methods of Analysis

Lone Star has wide ranging expertise originating investments. To identify potential investment opportunities for the Funds, Lone Star monitors target markets for potential sales of assets within the investment objectives of the Funds. Typically, Lone Star will seek potential investment opportunities from institutions such as banks, corporate sellers, or government agencies. The investment professionals at Lone Star responsible for the origination of these investment opportunities rely on their experience in and significant knowledge of the various asset markets, along with new and existing relationships with many of the potential counterparties in those markets, to identify potential investment opportunities. Lone Star's initial due diligence and analysis generally includes assessment of current and future market conditions for specific assets, assessment of asset sellers and other counterparties, and identification of available financing opportunities from counterparties and third parties. When considering whether, and in what manner, a potential investment opportunity should be financed, Lone Star may consider, among other things, the availability of financing opportunities, the cost of each opportunity, the duration of the financing, the relevant risks of each opportunity, and whether such financing is likely to be obtained, and obtained in a timely fashion.

When evaluating a potential investment opportunity, Lone Star generally engages Hudson to complete a full financial review and valuation, which includes a complete bottom-up, asset-based due diligence evaluation of the transaction. Once commercially appropriate due diligence and analysis has been completed for a potential investment meriting such review, the proposed investment, or, in the case of programmatic investments, the establishment of an investment program, including any associated financing strategies for the potential investment or investment program, is presented by the regional principal responsible for the origination of the investment opportunity for approval by the relevant investment committee.

Lone Star is not involved in the day-to-day asset management of the Fund's investments, but rather provides strategic oversight and advice with respect to the management and ultimate resolution of these assets. In connection with the acquisition of an investment, Hudson prepares an initial acquisition plan that contains a summary of the investment, strategic action items to maximize profits, and a plan to assimilate the acquisition into Hudson's asset management program. Senior management of Hudson, with strategic oversight and investment advice from Lone Star, advises on the appropriate exit, based on the ongoing analysis of buy versus hold scenarios in an effort to achieve overall maximum risk-adjusted Limited Partner returns. In analyzing the preferred resolution of each asset, a variety of possible disposition alternatives are considered based on a given asset's underlying characteristics.

B. Investment Strategies

1. Opportunity Funds

The Opportunity Funds target opportunistic investments in a broad range of financial and other investment assets other than commercial real estate investments. The Opportunity Funds will not invest, directly or indirectly, in portfolios of assets or single asset transactions that the General Partner of the applicable Opportunity Funds expects will not generate returns on a levered basis consistent with the Opportunity Funds' opportunistic investment strategy. Subject to the leverage limitations set forth in the relevant Governing Documents, an Opportunity Fund, directly or through SPVs, may use a substantial amount of direct or indirect leverage in connection with its investments.

2. Real Estate Funds

The Real Estate Funds target investments in a broad range of financial and other investment assets which the relevant General Partner has determined consist of opportunistic commercial real estate investments. Subject to the leverage limitations set forth in the relevant Governing Documents, a Real Estate Fund, directly or through SPVs, may use a substantial amount of direct or indirect leverage in connection with its investments.

3. Residential Mortgage Funds

The Lone Star Residential Mortgage Funds ("Residential Mortgage Funds") target investments in assets predominantly comprised of or relating to U.S. single family residential real estate and related assets. The Residential Mortgage Funds, directly or through SPVs, are expected to deploy a substantial amount of direct or indirect leverage in connection with their investments, including through the use of securitizations.

4. Value Add Fund

The Lone Star Value Add Fund ("VAF") targets investments that the General Partner has determined, in its sole discretion, consist of commercial real estate investments with value-add characteristics, in each case, that the General Partner expects will generate a gross internal rate of return below the opportunistic target return of the Real Estate Funds. VAF may finance its investments in a manner that creates a substantial amount of direct or indirect leverage.

C. Risks.

All investments involve the risk of loss that the Funds and their underlying investors should be prepared to bear. Not all possible risks are described below, and the risks described below may not be applicable to all Clients. A more detailed discussion of the risks relating to an investment in a Fund can be found in the applicable Fund's Governing Documents.

- 1. Opportunistic Investment Strategy.** The opportunistic investment strategy utilized by Lone Star on behalf of certain of the Funds generally does not incorporate consideration of other

investments held in a Fund's investment portfolio. Accordingly, portfolio risk controls such as value at risk metrics, investment diversification across regions or industries or avoidance of risk concentration at the investment portfolio level are typically not considered when assessing the merits of a potential investment. Instead, certain Funds' opportunistic investment strategy focuses on the expected returns of each potential investment on an individual basis. This opportunistic investment strategy may result in a significantly higher risk profile of these Funds compared to a strategy that actively diversifies investments across type, sector, location, and/or other risk factors.

- 2. Limited Number of Investments.** A Fund may participate in a limited number of investments or a limited number of asset classes, and, as a consequence, the aggregate return of a Fund may be substantially adversely affected by the unfavorable performance of even a single investment. In addition, to the extent a Fund participates in a limited number of investments, the diversification of the Funds' investments across asset classes and geographic regions could be limited.
- 3. Limited Current Return.** For most of the Funds, the return of capital and the realization of gains, if any, will generally occur only upon the partial or complete disposition of a Fund's investment. Developments in global and U.S. financial markets over the past few years and new developments, if they occur, may adversely impact the ability of the Funds to dispose of investments at their expected returns. Current returns from investments may vary, as Lone Star generally attempts to maximize realized returns on the disposition of the Funds' investments, and as such, will generally not favor early liquidation of an investment or foregoing potential disposition upside to maximize current returns.
- 4. Investing in Troubled Assets.** Certain Funds may make investments in secured and unsecured non-performing loans or other troubled assets that involve a significant degree of legal and financial risk and, particularly in the international context, political risks. Furthermore, investments in assets operating in workout modes or under bankruptcy reorganization laws may, in certain circumstances, be subject to certain additional potential liabilities that may exceed the value of a Fund's original investment. For example, under certain circumstances, lenders who have inappropriately exercised control of the management and policies of a debtor may have their claims subordinated or disallowed or counterclaims may be filed and lenders may be found liable for damages suffered by various parties as a result of such actions. In addition, under certain circumstances, payments to the Funds and distributions by the Funds to investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment. Moreover, particularly with respect to international investments in secured and unsecured non-performing loans or other troubled assets, there are additional risks and uncertainties related to litigation, bankruptcy, and other laws and regulations affecting the rights and remedies of the Funds, which can create additional financial risks to the Funds.

- 5. Investing in Real Estate-Related Assets.** Investments in real estate assets and real estate-related investments are subject to various risks that include, but are not limited to, those associated with the burdens of ownership of real property; general and local economic conditions; environmental, zoning and building laws and regulations (including changes thereto); environmental liabilities; casualty or condemnation losses; regulatory limitations on rents; decreases in asset values; changes in the appeal of assets to tenants; changes in supply of and demand for competing assets in an area (as a result, for instance, of overbuilding); fluctuations in the average occupancy, operating income and room rates for hotel assets; the financial resources of tenants; changes in (including increases in) interest or other borrowing rates and changes to the availability of debt financing, which may render the sale or refinancing of investments difficult or impracticable; energy and supply shortages; various uninsured or uninsurable risks; natural disasters; political events; other governmental rules and fiscal policies, including changes thereto (such as rent control); changes in real property tax rates and operating expenses; increased mortgage defaults; negative developments in the economy or political climate that depress travel activity; contingent liabilities on disposition of assets; acts of God; terrorist attacks; war; the availability of certain construction materials; and other factors that are beyond the control of Lone Star. Developments in global and local financial and real estate markets over the past few years, and new developments in those markets, if they occur, may result in reductions in the value of real property interests.

The real estate assets included within the Funds' investments may be or become non-performing after acquisition for a wide variety of reasons. Such non-performing real estate assets may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial write-down of such assets. However, even if an asset is performing as expected, a risk exists that, upon maturity of financing, replacement "takeout" financing will not be available or will not be available on attractive terms.

It is possible that Lone Star, Hudson, Affiliated Service Providers or other servicers to the Funds would find it necessary or desirable to foreclose on some of the collateral securing one or more investments, but such remedy may not be available in the jurisdiction where the property is located, or if available, may not be comparable to a foreclosure action in the United States. Even if foreclosure is an option, the foreclosure process can be lengthy and expensive. At any time during the foreclosure proceedings, the borrower may file for bankruptcy, which may have the effect of further delaying the foreclosure process. Under certain circumstances, payments to the Funds and distributions by the Funds to their partners may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment. Foreclosure litigation tends to create a negative public image of a Client or the collateral property and may result in disrupting ongoing leasing and management of the property.

- 6. Commercial Mortgage Loans.** Certain Funds may invest in commercial mortgage loans. The value of the Funds' commercial mortgage loans and the underlying real estate will be

influenced by the historical rate of commercial mortgage loan delinquencies and defaults experienced on the commercial loans and by the severity of loss incurred as a result of such defaults. The factors influencing delinquencies, defaults, and loss severity include: (i) economic and real estate market conditions by industry sectors (e.g., multifamily, retail, office); (ii) the terms and structure of the mortgage loans; and (iii) any specific limits to legal and financial recourse upon a default under the terms of the mortgage loan. Commercial mortgage loans are generally viewed as exposing a lender to a greater risk of loss through delinquency and foreclosure than lending on the security of single-family residences. The ability of a borrower to repay a loan secured by income-producing property typically is dependent primarily upon the successful operation and operating income of such property (i.e., the ability of tenants to make lease payments, the ability of a property to attract and retain tenants, and the ability of the owner to maintain the property, minimize operating expenses, and comply with applicable zoning and other laws) rather than upon the existence of independent income or assets of the borrower. Most commercial mortgage loans provide recourse only to specific assets, such as the property, and not against the borrower's other assets or personal guarantees.

- 7. Credit Risks.** A Fund's investment could lose money if the issuer or guarantor of a fixed income security is unable or unwilling, or is perceived by market participants, ratings agencies, pricing services or others as unable or unwilling, to make timely principal and/or interest payments, or to otherwise honor its obligations. Securities are subject to varying degrees of credit risk, which are often reflected in their credit ratings. The downgrade of the credit of a security held by a Fund may decrease its value. "Opportunistic" assets, such as those invested in by certain Funds, are generally considered to have significant credit risk. With respect to the financing strategies and hedging services described herein, the Funds may also be subject to the risk that a counterparty to a financing arrangement or derivatives contract may be unable or unwilling to honor its obligations as a result of the counterparty's financial condition or insolvency.
- 8. Mortgage-Backed Securities.** In general, risk factors discussed herein pertaining to mortgage loans (and the type of property securing such mortgage loans), would similarly pertain to any mortgage-backed security in which certain Funds invest. Some or all of the mortgage-backed securities acquired or held by the Funds may not be rated, or may be rated lower than investment grade securities, by one or more nationally recognized statistical rating organizations. The majority of the mortgage-backed securities acquired by the Funds are typically lower-rated or unrated, and the original ratings of many of these securities were withdrawn or downgraded to levels that are significantly below investment grade. Lower-rated or unrated mortgage-backed securities in which the Funds may invest have speculative characteristics that can involve substantial financial risks. Securities rated lower than "B" can be regarded as having extremely poor prospects of ever attaining any real investment standing and may be in default. Existing credit support and the owner's equity in the property may be insufficient to protect the Funds from loss. If the Funds invest in subordinated mortgage-

backed securities in particular, the Funds will be first in line among debt holders to bear the risk of loss from collateral delinquencies and defaults. To the extent that the mortgage loans that underlie specific mortgage-backed securities are prepayable, the value of such mortgage securities may be negatively affected by increasing prepayments, which generally occur when interest rates decline. With respect to commercial mortgage loans in which certain Funds may invest, these are typically not prepayable or are subject to prepayment penalties or interest rate adjustments.

9. Leveraged Buyouts. A Fund may structure an operating company investment as a leveraged buyout, in which the acquisition is financed using substantial amounts of debt secured by the target company's cash flows or other assets. These investments are particularly sensitive to adverse economic factors and other risks associated with leverage generally, which magnify their volatility and may substantially increase the Fund's risk profile. In the event an operating company is unable to generate sufficient cash flow to meet the payment obligations associated with the related acquisition financing, the value of the Fund's equity position in such operating company could be significantly reduced or even eliminated. In addition, such investments are subject to risks generally associated with investments in operating companies, including, without limitation, the possibility that the operating company's management may have economic or business interests or goals which are inconsistent with those of the applicable Fund. Further, the exercise of control over an operating company, which often results from a leveraged buyout, imposes additional risks of liability for environmental damage, product defects, failure to supervise and other types of related liability. If such liabilities are to arise, the Fund may suffer a loss on its investment.

10. Finance Companies and other Regulated Institutions. Certain Funds may invest in finance companies or other regulated institutions, which operate in a highly competitive environment and are subject to extensive regulation. Finance companies compete for loans, deposits, and other financial services with other finance companies as well as commercial banks, savings and loan associations, credit unions, mutual funds, insurance companies, brokerage and investment banking firms, and various other non-bank competitors, many of which may be subject to a lesser degree of governmental regulatory oversight and periodic examination than their competitors. Investments in certain types of institutions that provide secured and unsecured loans are highly speculative and subject to various risks, including adverse changes in national or international economic conditions; adverse local market conditions; changes in availability of debt financing; changes in interest rates, governmental rules, and fiscal policies; risks due to dependence on cash flow; risks and operating problems arising out of acts of God and other unanticipated events; uninsurable losses; and other factors that are beyond the control of a Fund's General Partner, Lone Star or the Fund. In the event a finance company or similar institution forecloses on the properties, if any, securing its loans, such company would need to operate those properties, thus being subject to environmental and other risks associated with the ownership and operation of real property.

Furthermore, there can be no assurance that such company would be able to sell such properties at a price that would result in a return on the loans.

11. International Investing. Lone Star performs services for the Funds on a global basis, and in particular, in North America, Europe, Asia and Latin America. The Funds may make investments in a number of different countries in these regions, as well as in other countries outside of such areas of focus, some of which may prove to be politically or economically unstable. The laws with respect to the rights of investors in certain European and Asian jurisdictions may not be as comprehensive or as well developed as in the United States, and the procedures for the judicial or other enforcement of such rights may not be as effective as in the United States. In particular, in certain countries, the Funds could experience significant legal difficulties and impediments in taking possession of, or otherwise in enforcing their rights with respect to, their investments. These factors may adversely affect the value and collectability of the Funds' investments in such countries. Risks to the Funds' investments may include: (i) currency exchange rate fluctuations and costs associated with conversion of investment principal and income from one currency into another; (ii) differences in conventions relating to documentation, settlement, corporate actions, shareholder rights and other matters; (iii) differences between U.S. and foreign securities and real estate markets, including potentially higher price volatility and relative illiquidity of some markets; (iv) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and differences in government supervision and regulation; (v) the risks associated with political, economic or social instability, including the risk of sovereign defaults, regulatory change, and the possibility of expropriation or confiscatory taxation and other adverse economic and political developments; (vi) the possible imposition of non-U.S. taxes on the Funds, the activities of the Funds, and/or their partners, particularly on income and gains and gross sales or other proceeds recognized with respect to non-U.S. investments; (vii) less developed corporate laws regarding stakeholder rights, creditors' rights (including the rights of secured parties), fiduciary duties and investor protections; (viii) differences in the legal and regulatory environment or enhanced legal and regulatory compliance, including the level of government oversight, potential currency control regulations, and potential restrictions on investment and repatriation of capital; (ix) political hostility to investments by foreign or private equity investors; (x) less publicly available information; and (xi) difficulty in enforcing contractual obligations. Further, a country's potential economic, political, or social instability could lead to expropriation or confiscatory taxation, higher inflation, nationalization, confiscation without fair compensation, or war and could necessitate reliance on a country's diminished economic and physical infrastructure to support investment activity.

In addition, in the changing global political realm, what appears to be a stable political situation at the time of an investment may change significantly before the Funds can dispose of such investment. The laws and regulations of non-U.S. countries may impose restrictions or approval requirements that do not exist in the jurisdictions where the Funds are domiciled,

and may require the use of financing and structuring alternatives that differ significantly from those customarily used in such jurisdictions. For instance, certain countries may have laws and regulations that restrict or limit ownership of real estate with respect to persons who are not residents of such countries. These restrictions or controls may at times limit or preclude foreign investment above certain ownership levels or in certain assets, asset classes or sectors of the country's economy. Prior government approval may be required to purchase such real estate, and the process of obtaining government approval could require a significant expenditure of time and resources by LSGA. A Fund may utilize investment structures to comply with such restrictions, but there can be no assurance that a foreign government will not challenge the validity of these structures or change laws in a way that reduces their effectiveness, imposes additional governmental approvals, restricts or prohibits the Fund's investments or taxes, or restricts or otherwise prohibits repatriation of proceeds. Repatriation of investment income capital and the proceeds of sale by foreign investors may require governmental registration and approval in some foreign countries.

Instability in a country may also lead to fluctuations in currency exchange rates that affect the value of the Funds' investments, and non-U.S. currency and other restrictions imposed to prevent capital flight, which may make it difficult or impossible to exchange or repatriate non-U.S. currency.

Lone Star, Hudson and/or their respective affiliates will analyze risks in the applicable non-U.S. countries before recommending investments therein, but no assurance can be given that a political or economic climate, or particular tax, legal, or regulatory risk might not adversely affect an investment by a Fund. Despite efforts by LSGA, Hudson and/or their respective affiliates to mitigate some of the foregoing risks, these risks may ultimately limit the Funds' ability to dispose of certain investments or to dispose of certain investments profitably.

- 12. Leverage.** The Funds employ a substantial amount of leverage in connection with their investments. The Funds' ability to achieve or surpass target rates of return on the investments depends on their ability to access sufficient financing sources on desirable terms. The Funds utilize various types of financing, such as repurchase agreements, loan facilities, swaps, and multi-tiered credit arrangements, many of which contain inherent risks.

The Funds typically obtain one or more general facilities for working capital, to bridge capital calls, to provide interim bridge financing and for other similar purposes and may from time to time procure one or more working capital facilities in order to fund expenses, to provide general working capital to the Funds, to finance investments, and for similar permitted Fund uses. Generally, the Funds incur indebtedness and enter into guarantees for any purpose related to the operation of the Funds (whether in connection with a general facility or a working capital facility), including, without limitation, to fund investments, cover partnership expenses, organizational expenses and management fees, provide permanent financing or refinancing, provide cash collateral to secure outstanding letters of credit, and

provide funds for distributions to partners. A Fund's borrowings and guarantees may be deal-by-deal or on a portfolio basis, and may be on a joint, several, joint and several or cross-collateralized basis (which may be on an investment-by-investment or portfolio-wide basis) with Special Investment Vehicles (as defined below), Co-Investment Vehicles, or other Funds. Such arrangements will not necessarily impose joint and several obligations on such other vehicles that mirror the obligations of the relevant Fund, though in the case of collectively financing the assets of a transaction with other Funds, the relevant Funds will generally split the economic interests in the acquired assets in a manner consistent with their respective investment parameters and shall each bear its share of the costs and expenses of such transaction in proportion to such economic split or such other manner as deemed advisable. Otherwise, the interest expense of any such borrowings will generally be allocated among the relevant Fund and such other vehicles or funds pro rata (and therefore indirectly to the relevant Funds' partners pro rata) based on principal amount outstanding, but other fees and expenses, including upfront fees and origination costs, could be allocated by a different methodology, including entirely to the relevant Fund or to another Fund. Furthermore, in the case of indebtedness on a joint and several or cross-collateralized basis, a Fund could be required to contribute amounts in excess of its pro rata share of the indebtedness, including additional capital to make up for any shortfall if the other joint and several obligors are unable to repay their pro rata share of such indebtedness. A Fund could lose its interests in performing investments in the event such performing investments are cross-collateralized with poorly performing or non-performing investments of the Fund and such other vehicles.

A Fund's investments are typically financed by initially borrowing under the Fund's general facility and/or third-party financings entered into by an SPV, subsequently to be replaced with investment level financing that is secured by the specific investment that is being financed. This leverage will increase the exposure of such investments to adverse economic factors such as significantly rising interest rates, increased risk spreads, severe economic downturns, or deterioration in the condition of the investment or its corresponding market. Generally, the presence of leverage in a Fund's investments will magnify their volatility and may substantially increase the Fund's risk profile. In the event a specific investment is unable to generate sufficient cash flow to meet a principal or interest payment required to maintain the financing arrangement or a margin call related to an investment, the value of a Fund's equity position in that investment and other investments of the Fund could be significantly reduced or even eliminated. There are generally no limitations in the Governing Documents on the amount of leverage that the Funds can use with respect to any particular transaction. In using leverage, a Fund's investments may be subject to terms and conditions that include restrictive financial and operating covenants, which may impair the Fund's ability to finance or otherwise pursue the investment's future operations or otherwise satisfy additional capital needs.

To the extent there is not ample availability of financing for leveraged transactions (e.g., due to adverse changes in economic or financial market conditions or a decreased appetite for risk by lenders) a Fund's ability to consummate certain transactions could be impaired. Principal and interest payments on indebtedness (including mortgages having "balloon" payments) will have to be made regardless of the sufficiency of cash flow from investments. Mortgages requiring "balloon" payments may involve greater risks than mortgages where the principal amount is fully amortized over the term of the loan, since the ability to repay the outstanding principal amount of a "balloon" loan may be dependent upon the ability to obtain adequate replacement financing, which will, in turn, be dependent upon interest rates and lenders' policies at the time of refinancing, economic conditions in general and the value of the investments in particular. There is no assurance that replacement financing will be available to make "balloon" payments or that any replacement financing available will be on favorable terms.

The amount and terms of financing available to a Fund could affect the returns generated by the Fund and the ability to structure potential transactions. While LSGA will take the availability and terms of financing into consideration when identifying, assessing, and structuring potential investments, a decrease in the ability of a Fund or a Fund's SPVs to leverage the investments could adversely affect the returns generated by the Fund and could result in fewer investments being made, therefore reducing the diversification of the portfolio. The volatility of the global credit markets could make it more difficult to obtain favorable financing for investments. During periods of volatility, which often occur during economic downturns, generally credit spreads widen, interest rates rise, and investor demand for high yield debt declines. These trends result in reduced willingness by investment banks and other lenders to finance new private equity investments and deterioration of available terms. A Fund's ability to generate attractive investment returns for its partners will be adversely affected to the extent the Fund is unable to obtain favorable financing. Moreover, to the extent that such marketplace events are not temporary, they could have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the economy, which could restrict the ability of the Fund to sell or liquidate investments at favorable times or for favorable prices or otherwise may have an adverse impact on the business and operations of the Fund.

The extent to which the Funds use leverage may have the following consequences to the Funds' partners, including, but not limited to: (i) greater fluctuations in the net assets of the Funds, (ii) use of cash flow for debt service rather than distributions, capital expenditures or other purposes, (iii) an obligation of the Funds' partners to contribute capital in order to satisfy margin calls or to remedy an actual or potential covenant breach related to such indebtedness and (iv) in certain circumstances the Funds may be required to liquidate investments prematurely or on adverse terms to service their debt obligations. There can also be no assurance that the Funds or the SPVs, as applicable, will have sufficient cash flow to

meet debt service obligations. As a result, the Funds' exposure to losses may be increased due to the illiquidity of their investments generally.

As discussed above, the Funds expect to use a variety of financing sources including, without limitation, repurchase agreements. The repurchase agreements used by the Funds for financing purposes may have various terms ranging from a month or less to five or more years. An inability of a Fund to re-lever or obtain take-out financing for Fund investments at the end of the term of a given financing arrangement may have an adverse impact on the aggregate returns of such investment. Further, in the event that any given financing arrangement is terminated prior to its expected term, a Fund may not be able to refinance the underlying investment in a timely manner, or on the same terms as the prior financing arrangement, or on any terms.

In addition to the enhanced portfolio volatility and risk that may arise from the use of leverage, financing instruments are generally subject to credit risks with respect to the counterparty. Financing transactions typically involve the transfer of legal title, pledge, or other encumbrance of the underlying investment of the Fund. Repurchase agreements may require the transfer of title to the underlying assets and may reduce the options available to resolve any issues with the counterparty involved in such repurchase agreements. The number of potential counterparties offering financing of the type desired by a Fund may be very limited, which may result in less attractive terms and conditions, and concentrations of financings with such counterparties. Accordingly, the insolvency or bankruptcy of a financing counterparty may result in legal action that impairs the value or marketability of the underlying investment, or a Fund's ownership rights. There can be no assurance that the Fund will recover all or any of the economic value of the investment under such circumstances, and any such recovery may require the payment of substantial legal costs.

- 13. Lack of Liquidity.** Most of the Funds' investments are highly illiquid, and there can be no assurance that the Funds will be able to liquidate these investments in a timely manner. While certain investments of the Funds may generate current income, the return of capital and the realization of gains, if any, with respect to certain other investments will generally occur only upon the partial or complete disposition of such investment. While an investment may be sold at any time, typically this will not occur until a number of years after the investment is made.

The Funds generally will not be able to sell their investments publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. In some cases, the Funds may be prohibited by contract or regulatory requirements from selling investments for a period of time. In addition, the types of investments held by the Funds may be such that they require a substantial length of time to liquidate. Lone Star, in consultation with Hudson, actively manages the cash and credit arrangements of the Funds with the goal of efficiently matching available liquidity to

anticipated obligations. There can be no assurance, however, that sufficient liquidity will be available to the Funds on favorable or any terms in all situations. In the event of a margin call or other loan repayment at a time when a Fund does not have sufficient cash assets to cover such call or payment, the Fund may have to liquidate certain investments at less than their expected returns, thereby resulting in lower realized proceeds to the Fund. Moreover, a Fund may make investments which may not be advantageously disposed of prior to the date that such Fund is dissolved, either by expiration of the Fund's term or otherwise. Although Lone Star expects that investments will either be disposed of prior to dissolution or may be suitable for in-kind distribution at dissolution, the Funds may have to sell, distribute, or otherwise dispose of investments at a disadvantageous time as a result of dissolution.

14. Swaps and Derivative Investments. The Funds may utilize swaps and other derivative transactions to obtain a desired exposure, and such transactions may expose the Funds to risk of loss. In addition, the Funds may take advantage of certain other customized instruments to create "synthetic" or derivative investments that are not presently contemplated for use by the Funds, or that are currently not available but that may be developed, to the extent such opportunities are both consistent with the Funds' investment objectives and legally permissible for the Funds. To the extent the Funds invest in repurchase agreements, swaps, and other "synthetic" or derivative instruments, counterparty exposures can develop and the Funds take the risk of nonperformance by the other party on the contract. Transactions such as these, which are entered into directly between two counterparties, may expose the parties to the risk of counterparty default. In addition, if the Funds were to invest in synthetic or derivative instruments that do not currently exist, certain other risks may apply in addition to the risks described herein.

Derivatives are a financial contract whose value depends on, or is derived from, an underlying product. Some of the risks generally associated with derivatives include, for example, the risks that: (1) the value of the derivative will change in a manner detrimental to the Funds; (2) another party to the derivative may fail to comply with the terms of the derivative contract; (3) the derivative may be difficult to purchase or sell; and (4) the derivative may involve indebtedness or economic leverage, such that adverse changes in the value of the underlying asset could result in a loss substantially greater than the amount invested in the derivative itself or in heightened price sensitivity to market fluctuations. Derivative markets can be highly volatile. The profitability of investments by the Funds in derivatives depends on the ability of LSGA and Hudson to correctly analyze these markets, which are influenced by, among other things, changing supply and demand relationships, governmental, commercial, and trade programs, policies designed to influence world political and economic events, and changes in interest rates. In addition, the assets of the Funds may be pledged as collateral in derivatives transactions. Thus, if the Funds default on such an obligation, the collateral may be at risk.

The use of derivative instruments presents various risks. For example, when used for hedging or synthetic investment purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged or tracked may prevent a Fund from achieving the intended hedging effect or expose the Fund to the risk of loss. Derivative instruments, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets a Fund may not be able to close out a position without incurring a loss. In addition, daily limits on price fluctuations and speculative position limits imposed by regulators, exchanges, or other trade execution facilities on which a Fund may conduct its transactions in derivative instruments may prevent prompt liquidation of positions, subjecting the Fund to the potential of greater losses. Derivative instruments that may be purchased or sold by a Fund may include instruments not traded on an exchange or centrally cleared. Derivative instruments not traded on exchanges or centrally cleared are also not subject to the same type of government regulation as exchange-traded or cleared instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions. The risk of nonperformance by the obligor on such an instrument may be greater and the ease with which a Fund can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange-traded or cleared instrument. In addition, significant disparities may exist between “bid” and “asked” prices for derivative instruments that are not traded on an exchange or similar trade execution facility.

15. Reuse of Collateral. In connection with swaps and other derivative transactions, a Fund is frequently required to post collateral to transaction counterparties or clearing firms. The amount of such collateral may be material to the Fund. Such collateral may, from time to time and without notice to the Fund, be carried in the general account of the counterparty or clearing firm and may be sold, pledged, rehypothecated, assigned, invested, loaned, commingled or otherwise disposed of, or otherwise used in the business of the counterparty or clearing firm without any claim or right of any nature whatsoever of the Fund. A counterparty or clearing firm holding collateral in connection with a swap or other derivative transaction is obligated to return to the Fund assets equivalent to those provided as collateral. Although the Funds seek to enter into transactions with creditworthy counterparties and clearing firms on favorable terms, there can be no assurance that collateral posted to such parties will be returned to the Funds in a timely manner. The insolvency or bankruptcy of a counterparty or clearing firm may result in partial or full loss of collateral posted and may require the payment of substantial legal costs to enforce the right of the Funds to the return of equivalent assets.

16. Use of Special Investment Vehicles. Due to tax, legal, accounting, regulatory or other reasons, a Fund may form one or more special investment vehicles (“Special Investment Vehicles”) to consummate and hold certain investments (or restructure existing investments). Upon a request by a Fund’s General Partner, the Funds’ partners may be required to fund or transfer a portion of their commitments into such entities. The use of Special Investment

Vehicles may involve additional costs related to formation, structuring, tax, and operating such entities in a manner that provides similar economic terms, management terms, and the liability protection afforded by investments made through the Fund. In the event Special Investment Vehicles are created to address tax issues specific to certain limited partners of a Fund (such as Special Investment Vehicles formed to block “unrelated business taxable income” (“UBTI”) or income that is “effectively connected” with the conduct of a U.S. trade or business (“ECI”) or to invest in entities that block UBTI or ECI), the use of such Special Investment Vehicles may cause a variance in returns for those limited partners who participate in such Special Investment Vehicles, due to, among other things, the costs of forming and operating such Special Investment Vehicles, the potentially differing tax structures, and the timing of distributions of Carried Interest to a Fund’s General Partner (which may vary based on the structure). Due to the regulatory parameters of the Funds and investment restrictions of certain limited partners, the Funds’ General Partners may not be able to use Special Investment Vehicles to address the tax treatment desired by all limited partners. Because of the worldwide scope of the investments by the majority of the Funds, these Special Investment Vehicles could be of a type with which the Funds have less familiarity, and therefore provide additional informational and operational uncertainty or difficulties to the Fund’s General Partner and LSGA.

17. Investments through Partnerships, Joint Ventures and Co-Investments. The Funds will generally make investments through SPVs, and may also make investments alongside joint ventures, Co-Investment Vehicles or other entities (which may include other Clients) (collectively, “Investment Parties”). Such investments may involve risks not present in direct investments, including, for example, the possibility that an Investment Party may commit fraud, become bankrupt, or have economic or business interests or goals which are inconsistent with those of a Fund, or that any such Investment Party may be in a position to take action contrary to a Fund’s objectives. If neither a Fund nor an Investment Party unilaterally controls an investment, deadlocks may occur, making it difficult to act quickly in connection with a potential acquisition or disposition. If there is a governance impasse under the terms of the investment that results in an acquisition or disposition, a Fund may be forced to sell its interest in the investment, or buy an Investment Party’s share of the investment, at a time when it would not otherwise be in the Fund’s best interest to do so. Moreover, an Investment Party may have economic or other interests that are inconsistent with the interests of a Fund, including interests relating to the financing, management, operating, leasing or sale of the assets in the joint venture arrangement. For example, if the Investment Party charges fees or carried interest to the joint venture arrangement, the Investment Party could have an incentive to hold assets longer or otherwise behave to maximize fees and carried interest paid, even when doing so is not in the best interests of the Fund. If an Investment Party that is an affiliate of Lone Star or one Fund has different expected termination dates, investment periods and/or investment objectives (including return profiles, status and maturity of its investment portfolio) than another Fund, Lone Star may have conflicting goals and fiduciary duties with respect to the price and timing of further

investment, disposition or restructuring opportunities. Furthermore, if an Investment Party defaults on its funding obligations, it may be difficult for the Fund to make up the shortfall from other sources. The limited partners of the Fund may be required to make additional contributions to replace such shortfall, thereby reducing the diversification of their investments. Any default by such Investment Party could have an extremely deleterious effect on the Fund, its assets, and the interests of its limited partners. In addition, a Fund may be liable for actions of its Investment Parties. While each Fund's General Partner will attempt to limit the liability of the Fund by reviewing the qualifications and previous experience of Investment Parties, it does not expect generally to obtain financial information from, or to undertake private investigations with respect to, prospective Investment Parties. Investments made with Investment Parties involve risks and potential conflicts of interest not present in investments without an Investment Party.

18. Hedging Transactions. In connection with the services they provide to the Funds, Lone Star or Hudson may recommend that a Fund enter into hedging and similar transactions with respect to non-U.S. currency, interest rate, and other risks where deemed appropriate and cost effective. The Fund will bear the cost of any hedging transactions entered into on its behalf. There is no assurance that foreign exchange risk, interest rate risk, and/or such other risks can be perfectly hedged or minimized where the magnitude and timing of future cash flows can only be estimated and not known with certainty. Thus, prudent currency, interest rate, hedging, and other policies only serve to minimize or reduce these risks, but not to eliminate them completely. There can be no assurance that a Fund will have sufficient liquidity or credit capacity to support the hedging services and no assurance that hedging techniques will be available, be available at a reasonable cost, or be sufficient to eliminate these risks. In addition, Lone Star or Hudson may recommend that a Fund hedge an investment's currency or interest rate exposure at an amount less than the expected value of that investment or not at all. In such cases, the Fund may suffer losses from changes in foreign exchange rates or interest rates that may have been recouped through hedging transactions if the investment had been fully hedged. With any hedging transaction there is a risk that the counterparty will not perform as expected. There may also be complications enforcing hedging transactions in the event of partial or total dissolution of a currency block such as the Euro, or the imposition of currency controls, or similar currency market disruption to a hedged currency, and litigation between the Funds and the hedging counterparty may result from such complications. Such a disruption to the currency markets may also cause the Funds to be unable to implement hedging transactions in the affected markets for an indefinite period of time.

The successful utilization of hedging and risk management strategies requires different skills than used in selecting and monitoring investments and such transactions may entail greater than ordinary investment risks. Additionally, costs related to derivatives and other hedging arrangements (including legal expenses) will be borne by the relevant Fund(s). There can be no assurance that any derivatives and other hedging transactions will be effective in

mitigating risk in all market conditions or against all types of risk, thereby resulting in losses to a Fund. Engaging in derivatives and other hedging transactions may result in a poorer overall performance for a Fund than if it had not engaged in any such transaction. Lone Star and Hudson may not be able to effectively hedge against, or choose not to hedge or mitigate, certain risks that may adversely affect a Fund's investment portfolio. In addition, a Fund's investment portfolio will always be exposed to certain risks that cannot be fully or effectively hedged, such as credit risk relating both to particular securities and counterparties as well as interest rate and foreign exchange risks. Each Fund will utilize derivatives and other hedging transactions only as determined by its General Partner in its sole discretion, but is under no obligation to do so.

19. Methods of Analysis. Before making investments, Lone Star and Hudson will conduct underwriting/due diligence and analysis that they deem reasonable, appropriate and applicable to such investment based on the facts and circumstances known at that time. Underwriting/due diligence and analysis may entail evaluation of important and complex business, financial, tax, accounting, environmental, social, governance, compliance and legal issues. When conducting underwriting/due diligence and analysis and making an assessment regarding a potential investment, Lone Star and Hudson will rely on the resources available to them, including information provided by the target of the investment, and, in some circumstances, third party investigations. Lone Star also works with Hudson to evaluate each investment, as described above. The methods of analysis that Lone Star employs, including those methods used by Hudson, when determining whether to recommend that a Fund make a particular investment, may be subjective and cause the Funds to lose money over short or long periods. Representations made by a counterparty could be inaccurate, and third-party investigations may not uncover risks. The due diligence investigation that Lone Star and/or Hudson carries out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. As a result, the due diligence process may be subjective and will not necessarily result in the investment being successful.

Investment analyses performed by Lone Star may frequently be required to be undertaken on an expedited basis, as may investment decisions made by the Funds' investment committees, to take advantage of investment opportunities. In such cases, the information available at the time of an investment decision may be limited, and Lone Star may not have access to detailed information regarding the investment opportunity, such as physical characteristics, structural or environmental matters, zoning regulations, or other local conditions affecting an investment. With respect to real estate-related investments, Lone Star may not be able to undertake all appropriate inquiries into the previous ownership and uses of a property consistent with typical commercial or customary practice. Therefore, no assurance can be given that Lone Star will have knowledge of all circumstances that may adversely affect an investment. In addition, Lone Star may rely upon independent consultants and other third parties in connection with its evaluation of proposed

investments; however, no assurance can be given that such parties will accurately evaluate such investments, and the Funds may incur liability as a result of their actions.

Lone Star expects to engage Hudson to evaluate each investment (whether such evaluation is performed directly by Hudson or by overseeing third parties). For certain investments, outside consultants, legal advisors, accountants, investment banks and other third parties may be involved in the underwriting/due diligence and analysis process to varying degrees depending on the type of investment, the costs of which will be borne by the applicable Fund. Such involvement of third-party advisors or consultants may present a number of risks primarily relating to Lone Star's reduced control of the functions that are outsourced. In addition, if Lone Star, Hudson and their affiliates are unable to timely engage third-party providers, their ability to evaluate and acquire more complex targets could be adversely affected.

LSGA utilizes certain proprietary models to evaluate investments for the Funds. There are material risks in relying on models, including: (1) changes affecting the model inputs used to project performance (such as prepayment speeds, delinquency rates, loss severities and interest rate assumptions); and (2) the potential for new variables (such as foreclosure moratoriums, new governmental programs, and legislative or regulatory changes) that can impact actual performance. Other material risks related to evaluating potential investments by the Funds include events that either diminish the total recovery amount on the underlying asset or significantly extend the timing of collection of such recovery amount from the sale of the underlying property. LSGA generally will establish the capital structure of an investment and the terms and targeted returns of such investment on the basis of financial, macroeconomic, and other applicable projections. Projected results will normally be based primarily on investment judgments or third-party advice and reports. All projections are only estimates of future results that are based upon, among other considerations, assumptions made at the time that the projections are developed, including assumptions regarding the performance of Fund assets, the amount and terms of available financing and the manner and timing of dispositions, including possible asset recovery, all of which are subject to significant uncertainty. Assumptions or projections about asset lives; the stability, growth, or predictability of costs; demand; or revenues generated by an investment or other factors associated therewith may, due to various risks and uncertainties including those described herein, differ materially from actual results. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic conditions and other events, which are not predictable and may not have been anticipated, can have a material adverse impact on the reliability of such projections. Moreover, other experts may disagree regarding the feasibility of achieving projected returns. The Funds will make investments which may have different degrees of associated risk. The actual realized returns on unrealized investments may differ materially from projected returns.

20. Market Risks. The Funds may make investments that are publicly traded, traded in active private markets or traded on markets that are relatively illiquid or volatile. The values of such investments are particularly susceptible to fluctuations based on market trends. A worsening of general economic and market conditions would likely affect the level and volatility of securities prices and the liquidity of the Funds' investments, which could impair the Funds' profitability, result in losses and impact the Funds' limited partners' investment returns. A depression, recession or slowdown in the global economy or one or more regional markets (or any particular segment thereof) or a weakening of credit markets (including a perceived increase in counterparty default risk) would have a pronounced impact on the Funds and the Funds' investments and could adversely affect the Funds' profitability and ability to execute on their business plans, satisfy existing obligations, make and realize investments successfully, originate or refinance credit or draw on existing financings and commitments (including, in the case of the Funds, commitments from the Funds' partners). Ten years of sustained low interest rates around the world coupled with significant quantitative easing measures have resulted in falling yields and an increase in asset prices as well as increased borrowing against such assets. These factors together with the high levels of private and public debt that continue to persist within the global banking system lead Lone Star to believe that the global economy remains fragile and susceptible to significant potential price dislocations caused by political and macroeconomic shocks, including those caused by the end of quantitative easing programs, the return of inflation and attendant rising interest rates. Further changes in stock prices, interest rates, currency exchange rates, or commodity prices could result in changes in the broader marketplace that adversely affect the value of publicly traded investments, particularly with respect to investments located in emerging markets or traded on relatively volatile exchanges.

21. Currency Risk. Certain Funds may make investments in assets denominated or valued in non-U.S. currencies. To the extent that the Funds invest in securities or assets denominated in or indexed to non-U.S. currencies, changes in currency exchange rates bring an added dimension of risk. Currency fluctuations could negatively impact investment gains or add to investment losses. Although the Funds may attempt to hedge against currency risk, the hedging instruments may not always perform as the Funds expect and could produce losses. Suitable hedging instruments may not be available for currencies of certain countries (or a General Partner may otherwise determine not to hedge), and an investment may not be adequately hedged with respect to its currency exposure even if suitable hedging instruments are available.

Furthermore, the books of the Funds will be maintained, and capital contributions to the Funds and distributions from the Funds will be denominated in U.S. dollars and ownership interests in the Funds are denominated in U.S. dollars. Investors with a functional currency other than U.S. dollars should note that changes in the value of exchange between U.S. dollars and such currency may have an adverse effect on the value, price or income of the investment to such investors. Accordingly, changes in currency exchange rates, cost of conversion and

exchange control regulations may adversely affect the dollar value of investments, interest and dividends received by the Funds, gains and losses realized on the sale of investments and the amount of distributions, if any, to be made by the Funds. In addition, investors may incur transaction costs associated with the conversion of U.S. dollars into their local currency.

22. Risks Associated with Interest Rate Fluctuations. Changes in interest rates could have an adverse impact on the Funds' operations. Market interest rates are beyond the General Partners' control, and they can fluctuate in response to general economic conditions and the policies of various governmental and regulatory agencies. Changes in monetary policy, including changes in interest rates, will influence market rates, financings and prices for purchases of loans. Rising or falling interest rate environments also entice customers to refinance. The Funds are expected to regularly seek to implement financing and refinance existing debt, and significant declines in pricing of debt securities or increases in interest rates, or other disruptions in the credit markets, would make it difficult to carry on normal financing activities, such as obtaining committed debt financing for acquisitions, bridge financings or permanent financings. Tightening of loan underwriting standards, which often occur during market disruptions, can have a negative impact including through reduction of permitted leverage levels and increased requirements for borrower quality. The Funds' ability to generate attractive investment returns will be adversely affected by any worsening of financing terms and availability.

23. Tax Liability. Investments in real estate, equity, credit, and other financial assets may be subject to various taxes and duties imposed by the jurisdiction in which such assets reside or operate. Depending on the jurisdiction, some investors in a Fund may be required to take into account their allocable share of the relevant Funds' current year activity, without regard to whether the investor has received or will receive any distributions from the Fund. Accordingly, an investor's tax liability for any taxable year associated with an investment in a Fund may exceed cash distributed to that investor during the taxable year. Each Client endeavors to structure each investment to comply with all applicable laws and regulations. However, taxing authorities may challenge a structure and, if successful, additional tax may be owed. Additionally, tax laws in any jurisdiction in which Clients invest are subject to changes or revocations which may expose Clients to unexpected taxation and reduce their returns.

24. Tax Treatment of Profits Interest. The Tax Cut and Jobs Act ("TCJA") requires an investment to be held for more than three years in order for the profits interest related to such investment to be treated as long-term capital gains for tax purposes. There is a risk that this requirement will cause a Fund or General Partner to consider its own tax consequences to the detriment of the interests of the relevant Fund and its limited partners when considering the disposal of investments and the timing thereof. If such risks were to materialize, it may adversely impact the returns on the fund investments.

In addition, a Fund's ability to achieve its investment objectives is dependent on the ability of Hudson and Lone Star to retain and motivate its investment professionals and other key personnel, and to recruit talented new personnel. The ability to recruit, retain, and motivate such professionals is dependent on the ability to offer highly attractive incentive compensation, and such compensation may be impacted by this tax legislation. In addition, with regard to the Funds, other countries could clarify or modify their tax treatment of carried interest. This might make it more difficult for Lone Star and Hudson to incentivize, attract, and retain professionals, which may have an adverse effect on a fund's ability to achieve its investment objectives.

25. Risks of Environmental Liabilities. The Funds' investments may be exposed to claims and losses arising from undisclosed or unknown environmental contamination from pollutants or other hazardous materials, or health or occupational safety matters. The Funds could suffer losses if reserves or insurance proceeds prove inadequate to cover any such matters. Under various laws, ordinances, and regulations, an owner or operator of real property may become liable for the costs of removal or remediation of certain hazardous substances and other environmental pollutants (including, without limitation, petroleum products, asbestos, and polychlorinated biphenyls) released on, about, under, or in its property. Environmental laws often impose this liability without regard to whether the owner or operator knew of, or was responsible for, the release of hazardous substances or other environmental pollutants. The presence of hazardous substances or other environmental pollutants, or the failure to remediate hazardous substances or other environmental pollutants properly, may adversely affect the owner's ability to develop, use or sell real estate or to borrow outside funds using real estate as collateral and may result in fines and other sanctions. A Fund may have an indemnity from a third party purporting to cover certain environmental liabilities, but there can be no assurance as to the financial viability of any indemnifying party at the time a claim arises. Environmental liabilities with respect to a specific real estate asset may exceed the value of such asset, and in such cases a Fund could be forced to satisfy the claims from other assets and investments.

26. Regulatory Risks. The Funds' ability to achieve their investment objectives, as well as the ability of the Funds to conduct their operations, is based on laws and regulations that are subject to change through legislative, judicial or administrative action. Additional or unanticipated regulatory requirements, restrictions, limitations or approvals may become applicable in the future due to a change in laws, regulations, regulatory interpretations of applicable regulatory agencies or for other reasons. There is no assurance that the Funds, their General Partners, Lone Star, Hudson, any of the Funds' Special Investment Vehicles, any SPVs or any of their affiliates will be able to: (i) obtain all required regulatory approvals not yet acquired, or that may need to be acquired in the future, or comply with any new regulatory requirements or limitations; (ii) obtain any necessary or desirable modifications to existing regulatory approvals; or (iii) maintain required regulatory approvals. Delay in obtaining or failure to obtain and maintain in full force and effect any regulatory approvals,

or amendments thereto, or delay or failure to satisfy any regulatory conditions or other applicable requirements could prevent operations of an operating company, impede the development of real estate assets, delay the completion of a previously announced acquisition or disposition, cause the Fund, its General Partner, Lone Star, Hudson, any of the investment vehicles, any SPVs or any of their affiliates to be subject to regulatory actions, or otherwise result in additional costs to an operating company, or other investment, and in turn, the Funds. The global investment strategy of the Funds is subject to complex, changing, and sometimes competing legal, tax, and regulatory regimes throughout the world, and there is a possibility that new or changing regulatory requirements could potentially have direct or indirect adverse effects on the Funds.

Derivative contracts, repurchase agreements, and similar instruments used to implement hedging and financing activities of the Funds are generally subject to regulation. New regulation in the U.S. or in non- U.S. jurisdictions relating to such instruments may limit the ability of the Funds to engage in the same or similar transactions in the future, and there is a possibility that regulatory agencies may treat these instruments differently than the manner intended by the Funds. Such developments may prevent or delay the implementation of hedging or financing transactions, or result in the termination of existing arrangements. The Funds may not be able to re-establish similar arrangements in a timely manner, or on the same terms as the prior financing arrangement, or on any terms.

The financial services industry and the activities of private funds and their managers in particular, have been subject to increasing regulatory scrutiny. This increased scrutiny may reduce returns to the Funds' partners as a result of, among other things, additional compliance and administrative expenses, administrative enforcement actions, fines by regulators in the United States or in non-U.S. jurisdictions, and civil litigation. The exposure of Clients to potential liabilities and additional legal, compliance, and other related costs may adversely affect the ability of Clients to achieve their investment objectives.

27. Reliance on Hudson. The Funds expect to engage Hudson to provide underwriting/due diligence and analysis, asset management, financing, securitization, ancillary and other support services similar to those that Hudson has historically provided to the Funds. In 2021, however, Hudson launched its own fund vehicle that is not affiliated with Lone Star. As a result, it is possible that Hudson may not be able to provide certain services to the Funds due to conflicts with its own fund. We believe the success of the Funds is in part based on Hudson's expertise and relationships throughout the world. If Hudson were not able to provide a fulsome set of services to the Funds, it could have a material impact on the Funds' ability to achieve their investment objectives and target returns. There can be no assurance that Hudson will always be willing or able to provide asset management and other services to the Funds and to the assets of the Funds or on pricing and other terms which the Funds consider competitive.

28. Employee Misconduct. There is a risk that individuals employed by or associated with Lone Star, Hudson and/or their affiliates or the Investment Parties and service providers may engage in the fraudulent misappropriation of the assets of one or more of the Funds or other misconduct that causes significant losses to such Funds and adversely affects the Funds' business or reputation. Employee misconduct may include binding a Fund to transactions that exceed authorized limits or present unacceptable risks and unauthorized trading activities or concealing unsuccessful trading activities (which, in either case, may result in unknown and unmanaged risks or losses). Losses could also result from actions by service providers, including, without limitation, failing to recognize trades, misappropriating assets or a failure of a custodian that holds securities of the Funds. In addition, employees and service providers may improperly use or disclose confidential information, which could result in litigation or serious financial harm, including limiting the Funds' business prospects or future marketing activities. It is not always possible to detect or deter such misconduct, and the precautions taken by Lone Star, Hudson, and their affiliates to detect and prevent this activity may not be effective in all cases.

In the event a court or other governmental or regulatory authority determines that an individual employed by or associated with Lone Star, Hudson or their affiliates has engaged in criminal behavior or other misconduct (whether in connection with the Funds, or otherwise), such individual's actions may harm the Funds' reputations, such individual may no longer be available to participate in the operation of the Funds' business and no substitute may be available to step in, and the Funds' performance could be adversely affected.

29. Cyber Security Breaches, Identity Theft, Privacy Breaches, and Other Threats. Cybersecurity incidents and cyber-attacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. The information and technology systems of Lone Star, Hudson and their affiliates, the Funds, the SPVs and portfolio companies may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, security threats (including ongoing cyber security threats to and attacks on information technology infrastructure), infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes, and earthquakes. If unauthorized parties gain access to such information and technology systems, they may be able to steal, publish, delete or modify private and sensitive information, including nonpublic personal information related to investors (and their beneficial owners) and material nonpublic information. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions and result in a failure to maintain the security, confidentiality, or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors), material nonpublic information, intellectual property and trade secrets and other sensitive information. Breaches such as those involving covertly introduced malware, impersonation of authorized users and industrial or other espionage may not be identified even with

sophisticated prevention and detection systems, potentially resulting in further harm and preventing them from being addressed appropriately. Any such failure or unauthorized disclosure of data could harm the reputation of Lone Star, the Funds, any of the SPVs or portfolio companies of the Funds, Hudson, or their affiliates, and could subject any such entity and its respective affiliates to legal claims, increased costs, financial losses, reputational harm, adverse publicity, regulatory intervention, and otherwise affect their business and financial performance. The costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means.

The service providers of the Funds are subject to the same information security threats. If a service provider fails to adopt or adhere to adequate data security policies, or if the service provider's network is breached, information relating to the transactions of the Funds and personally identifiable information of investors (and beneficial owners thereof) may be lost or improperly accessed, used, or disclosed.

30. Pandemic Risks. Disease outbreaks that affect local economies or the global economy may materially and adversely impact our business. For example, the recent global outbreak of the 2019 novel coronavirus ("COVID-19"), together with resulting restrictions on travel and quarantines imposed, has meaningfully disrupted the global economy and markets. Although the long-term economic fallout of COVID-19 is difficult to predict, it has and is likely to contribute to market volatility and is also likely to lead to an economic slowdown given the disruption to supply chains across sectors and industries worldwide, which may reduce market activity more generally and materially and adversely affect our Clients.

31. Risks Related to LIBOR. On July 27, 2017, the head of the UK Financial Conduct Authority ("FCA") announced that the FCA intends to stop encouraging or compelling banks to submit rates for the calculation of LIBOR after 2021. As of the date hereof, the continued use of LIBOR as a benchmark for floating rate business loans and for lending arrangements such as any credit facility is anticipated to be phased out no later than the end of 2021. It is possible that the LIBOR administrator and the panel banks could continue to produce LIBOR on the current basis after 2021, if they are willing and able to do so. However, the survival of LIBOR in its current form, or at all, is not guaranteed after 2021. The elimination of a reference rate or any other changes or reforms to the determination or supervision of reference rates could have an adverse impact on the market for, or value of, any securities or payments linked to those reference rates and raises certain conflicts of interest.

There remains uncertainty regarding the likely replacement benchmark rate for LIBOR. As such, the potential effect of a transition away from LIBOR on the Funds or the financial instruments in which the Funds invest cannot yet be fully determined. However, actions by regulatory authorities, financial institutions or others to phase out or eliminate LIBOR or to propose or require transition to a particular alternative rate (the "Benchmark") in a certain manner upon the occurrence of one or more future events may cause one or more of the following, among other things, to occur: (i) an increase in the volatility of LIBOR prior to the consummation of any such change; (ii) an increase in the

portion of investments and temporary investments that calculate interest based on a benchmark rate other than LIBOR or bear interest at a fixed rate (which may result in decreased interest payable with respect to one or more of the Fund's investments or may make it more difficult for certain Funds to source new investments that satisfy the investment criteria specified in the Governing Documents); (iii) increased pricing volatility with respect to and liquidity of the loans or (iv) interest rate mismatches between the Funds' assets and liabilities. Furthermore, the transition away from LIBOR may adversely affect certain Funds' ability to manage and hedge exposures to fluctuations in interest rates using derivative instruments. The transition may also result in a reduction in the value of certain investments held by the Funds or reduce the effectiveness of related transactions such as hedges. The effect of any changes to, or discontinuation of, LIBOR on the Funds will vary depending on, among other things, provisions in individual contracts and whether, how, and when industry participants develop and adopt new reference rates and alternative reference rates.

When LIBOR is phased out or eliminated as a benchmark rate, it is uncertain whether broad replacement conventions in the leveraged loan and credit facility markets will develop or be required by relevant regulators and, if conventions develop, what those conventions will be, whether they will be similar to each other and whether they (or any of them) will create adverse consequences for any of the Funds and/or any of the Funds' investments. The Federal Reserve Board and the Federal Reserve Bank of New York's Alternative Reference Rates Committee ("ARRC") have, however, identified the Secured Overnight Financing Rate ("SOFR") as the replacement rate for derivatives, and it is likely that SOFR (or a SOFR-based rate) will become the replacement rate for syndicated loans as well. Beginning on March 2, 2020, the Federal Reserve Bank of New York published SOFR averages as well as a SOFR Index, in order to support the transition away from LIBOR. Because SOFR is a secured, risk-free rate, while LIBOR is an unsecured rate reflecting counterparty risk, SOFR will not be equivalent to LIBOR. Since the initial publication of SOFR in April 2018, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmark or market rates. Any transition to and adoption of SOFR may adversely impact the pricing, liquidity, value of, and return on investments, and there may be significant uncertainty regarding the effectiveness of SOFR as a benchmark rate. Whether SOFR attains market acceptance as a LIBOR replacement remains in question. The transition from LIBOR to an alternative reference rate could adversely affect activities, operations, and performance.

If conventions are slow to develop regarding SOFR or another replacement benchmark rate, or if changes in the Benchmark are dependent upon mutually agreed amendments thereto by the parties to individual contracts, it is uncertain what effect broadly divergent interest rate calculation methodologies in the markets or timing with respect to such amendments will have on the price and liquidity of the affected investment or on the ability of an obligor to obtain new financing when necessary to pay or refinance any then-existing investment. In addition, LSGA is unlikely to be in a position to make individualized determinations regarding replacement benchmark rates based on the particular impact to each affected investment.

32. Environmental, Social and Governance Matters. While environmental, social, and governance (“ESG”) matters are only some of the many factors that Lone Star will consider in evaluating an investment for a Fund, there is no guarantee that any Fund will successfully implement and make investments in companies that create a positive ESG impact while also achieving attractive returns for the Funds’ partners. To the extent that Lone Star engages with a Fund’s portfolio company on ESG-related practices and potential enhancements thereto, such engagements may not achieve the desired financial and social results, or the market or society may not view any such changes as desirable. Successful engagement efforts on the part of Lone Star will depend on Lone Star’s skill in properly identifying and analyzing material ESG and other factors and their impact-related value, and there can be no assurance that the strategy or techniques employed will be successful. Considering ESG matters when making investment decisions is qualitative and subjective by nature, and there is no guarantee that the criteria utilized by Lone Star or any judgment exercised by Lone Star will reflect the beliefs or values of any particular Fund investor. In evaluating a portfolio company, Lone Star is dependent upon information and data obtained through voluntary or third-party reporting that may be incomplete, inaccurate or unavailable, which could cause Lone Star to incorrectly assess a portfolio company’s ESG practices and/or related risks and opportunities. ESG-related practices differ by region, industry and issue and are evolving accordingly, and a portfolio company’s ESG-related practices or Lone Star’s assessment of such practices may change over time.

Item 9: Disciplinary Information

LSF IV, together with certain co-investors, purchased, through various non-U.S. entities, a controlling interest in Korea Exchange Bank (“KEB”), a South Korean commercial bank, in 2003. Several persons affiliated with Lone Star were elected to the Board of Directors of KEB (together, the “Lone Star Directors”), including Paul Yoo, a senior officer of Lone Star’s subsidiary in Korea at the time, Lone Star Advisors Korea, L.L.C. Shortly thereafter, KEB, with the unanimous authorization of its Board of Directors, rescued its failing credit card affiliate (“KEB Credit”), in order to avert the latter’s impending insolvency, by merging it into the bank.

In late 2006 and early 2007, the Korean Supreme Prosecutor’s Office (“SPO”) charged Paul Yoo, and, vicariously, KEB and its LSF IV-affiliated controlling shareholder with violations of the Korean Securities and Exchange Act in connection with KEB’s merger with KEB Credit, alleging essentially that Mr. Yoo and the other Lone Star Directors conspired to unlawfully drive down the share price of KEB Credit’s shares in advance of the merger, to enable KEB to merge with KEB Credit on more favorable terms. Ultimately (in late 2011 and early 2012), after several decisions and appeals, Paul Yoo and, vicariously, the LSF IV-affiliated shareholder, were convicted of this charge. Paul Yoo was also found guilty of various other charges relating to (i) failure to appear before the Korean National Assembly, (ii) breach of fiduciary duty relating to manipulation of the reported rates of return for certain investments made in Korea by certain prior Funds, and (iii) tax evasion relating to the transactions involved in clause (ii) above. Paul Yoo was sentenced to three years imprisonment (and

a fine of KRW 4.295 billion (approximately USD 3.6 million), which was suspended). The court also imposed a criminal fine of KRW 25 billion (approximately USD 21 million) on the LSF IV-affiliated shareholder of KEB.

In addition, the SPO charged (i) Mr. H.C. Cheong, the President of Hudson Advisors' affiliate in Korea, with breach of fiduciary duty for manipulation of the reported rates of return for certain investments made in Korea by certain prior Funds (similar to the charge above against Mr. Yoo), embezzlement and tax evasion, and (ii) an entity that was 50% owned by LSF III, vicariously for Mr. Cheong's tax evasion charge. Although Mr. Cheong was acquitted on most of these charges, including the one for which the LSF III investment affiliate was vicariously charged, he has been convicted of certain of the breach of fiduciary duty charges and certain of the tax evasion charges.

On November 21, 2012, Lone Star initiated arbitration against the government of the Republic of Korea with the International Center for Settlement of Investment Disputes, claiming damages suffered as a result of the Korean government's unlawful interference with Lone Star's rights as the major shareholder of KEB and other Korean companies Lone Star acquired in the early 2000s. The claims arise out of the government's failure to comply with its obligations under the investment treaty between Belgium and South Korea. The final hearing before the appointed arbitration tribunal was held in October 2020.

Item 10: Other Financial Industry Activities and Affiliations

A. CFTC

LSGA is registered with the CFTC as a commodity pool operator and is a member of the National Futures Association (the "NFA").

B. Relying Advisers

The following entities are registered with the SEC in reliance on the investment adviser registration of LSAA:

- Lone Star Global Acquisitions, Ltd.
- Lone Star Global Acquisitions, LLC
- Lone Star Americas Acquisitions, LLC
- Acquisitions Lone Star Canada S.R.I.

The filing adviser and the relying advisers share a common compliance program, including a Code of Ethics and other compliance policies and procedures.

C. Participating Affiliates

The below direct or indirect subsidiaries of LSGA established outside of the United States assist LSGA in rendering investment advice (the "Participating Affiliates"). As noted, certain Participating Affiliates are registered with regulatory authorities as required under local law.

The Participating Affiliates and their employees are subject to LSGA's oversight, its Code of Ethics and other compliance policies and procedures adopted pursuant to the requirements of the U.S. Investment Advisers Act of 1940 ("Advisers Act"), as applicable (in addition to applicable local laws and regulations).

- Lone Star Asia-Pacific Acquisitions (Hong Kong) Limited (registered as an asset manager with the Hong Kong Securities and Futures Commission)
- Lone Star Asia-Pacific Acquisitions (Singapore) Pte. Ltd. (licensed for fund management with the Monetary Authority of Singapore)
- Lone Star Brasil Acquisitions Participacoes Ltda.
- Lone Star Europe Acquisitions Limited (registered as a corporate finance advisory firm with the U.K. Financial Conduct Authority)
- Lone Star France Acquisitions
- Lone Star Germany Acquisitions GmbH
- Lone Star India Acquisitions Advisors Private Limited
- Lone Star Japan Acquisitions Ltd. (registered as an investment adviser with the Kanto Financial Bureau, which operates under the authority of the Japan Financial Services Agency)
- Lone Star Spain Acquisitions S.L.U.
- Lone Star Asia Consulting Co. Ltd.

D. General Partners

As noted in Item 6 above, the General Partners of each Fund are related persons of Lone Star. The General Partners have, on behalf of each of the relevant Funds, granted to LSGA the authority to provide advisory and other services to the Funds.

E. Hudson

As noted in Item 5 above, Hudson, or its affiliates, have been engaged to provide underwriting/due diligence and analysis, asset management, and ancillary services to the Funds. HAL and the following direct or indirect subsidiaries of HAL that provide such services are related persons of Lone Star:

- Hudson Americas L.P.
- Hudson Advisors Asia-Pacific, Limited
- Hudson Advisors Asia-Pacific, Limited (Singapore Branch)
- Hudson Assessoria Brazil Limitada
- Hudson Advisors Europe Designated Activity Company

- Hudson Advisors France S.a.r.l
- Hudson Advisors Germany GmbH
- Hudson Advisors (India) Private Limited
- Hudson Advisors Ireland Designated Activity Company
- Hudson Japan KK (registered as an investment advisor and investment manager with the Japan Financial Services Agency)
- Hudson Advisors Luxembourg S.a r.l.
- Hudson Advisors Netherlands B.V.
- Hudson Advisors Portugal, Unipessoal, Lda.
- Hudson Advisors (Shanghai) Co., Ltd.
- Hudson Advisors (Shanghai) Co., Ltd. (Beijing Branch)
- Hudson Advisors Spain, S.L.U.
- Hudson Advisors UK Limited (registered as a corporate finance advisory firm with the U.K. Financial Conduct Authority)

Please see Item 11 – “Hudson” below for a discussion of the conflicts of interest created by our relationship with Hudson.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

A. Code of Ethics

Lone Star has adopted an Advisers Act Compliance Manual that sets forth certain standards for its officers, employees, and other designated personnel (collectively “Designated Lone Star Personnel”), including a Code of Ethics. The Code of Ethics, which is designed to comply with Rule 204A-1 under the Advisers Act, emphasizes Lone Star’s fiduciary duty, including proper management of conflicts of interest, professional conduct, and personal trading procedures.

Under the Code of Ethics, Designated Lone Star Personnel also are required to file certain periodic reports with the Chief Compliance Officer or his/her designee as required by Rule 204A-1 under the Advisers Act. These records will not be open to inspection by Fund investors. Our management may from time to time implement additional internal policies or restrictions on trading by Designated Lone Star Personnel and their immediate family and/or household, which are in addition to the requirements of our Code of Ethics.

Lone Star will provide a copy of the Code of Ethics to any Client or prospective client upon written request.

B. Participation or Interest in Client Transactions

None of Lone Star, its employees, Hudson, or their related persons invest in opportunities recommended to the Funds, except for investments in the Employee Investment Vehicles, investments in certain other Co-Investment Vehicles authorized by the Governing Documents, interests held directly by General Partners in the Funds, limited partnership and other ownership interests in the General Partners held by certain associated persons of Lone Star and Hudson, and limited partnership interests in certain Funds held by certain associated persons of Lone Star and Hudson.

Hudson or its affiliates may, from time-to-time and in limited circumstances, advance funds to the Funds as necessary for the Funds to pay operating expenses and/or satisfy margin calls or other financing needs. Hudson will not make advances for investment purchases by a Fund. Additionally, any such advances by Hudson or its affiliates will not be included in the Funds’ assets under management for purposes of calculating Hudson Fees for asset management services. Hudson does not receive any interest with respect to such advances, but Hudson is generally entitled to seek reimbursement at times when the Funds have sufficient working capital and the payment of such reimbursement would not require the Funds to liquidate any investments that would not be otherwise liquidated. Hudson’s right to be repaid any outstanding advances will be senior to any distributions available to Fund investors in the relevant Fund. Such advances are at Hudson’s or its affiliates’ sole discretion, and there can be no assurance that Hudson or its affiliates will continue to provide such advances in the future. If Hudson is unwilling or unable to make such advances in the future, a Fund may be required to seek other

sources of funds in order to meet its financing needs, and may be required to pay interest on such funds.

C. Principal Transactions

Section 206 under the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Very generally, if Lone Star and/or its affiliates propose to purchase a security from, or sell a security to, a Client (a “Principal Transaction”), Lone Star must disclose the material terms of the proposed transaction to the Client and obtain the Client’s consent to the proposed transaction. In connection with Lone Star’s advisory services for the Funds, Lone Star may engage in Principal Transactions. Lone Star maintains certain policies and procedures to monitor and document Principal Transactions, as well as provide notice to the Client(s) of the material terms of any Principal Transactions.

D. Conflicts of Interest

- 1. Specific Asset Management Companies and Service Providers.** A Fund and its SPVs will engage Hudson as well as Affiliated Service Providers to provide certain services as set forth in a Fund’s Governing Documents. Similarly, a Fund and its portfolio companies may engage portfolio companies of another Fund to provide certain services. Although Lone Star selects service providers and vendors it believes are most appropriate in the circumstances based on its knowledge of such service providers and vendors (which knowledge is generally greater in the case of service providers and vendors that have other relationships to Lone Star), the relationship of service providers and vendors to Lone Star as described herein may influence Lone Star in deciding whether to select, recommend or engage such service provider or vendor to perform services for the relevant Fund and its investments, the cost of which will generally be borne directly or indirectly by said Fund, and may incentivize Lone Star to engage such service provider over a third-party, utilize the services of such service providers and vendors more frequently than would be the case absent the conflict, or to pay such service providers and vendors higher fees or commissions than would be the case absent the conflict. The relevant Fund receiving such services and its limited partners typically will not share in any fees, economics, equity or other benefits accruing to these companies, and such fees, economics, equity or other benefits will not offset the management fee payable to LSGA. The benefits received by a company providing a service may be greater than those received by the Fund(s) and/or its portfolio companies receiving the service.

While Lone Star does not have an ownership interest in such firms and does not share in the fees they receive, conflicts may arise in determining whether Hudson or any Affiliated Service Provider has performed its obligations to the Funds and/or any SPV, and/or whether Hudson or any Affiliated Service Provider (or any related parties) is entitled to be indemnified pursuant to the provisions contained in a Fund’s Governing Documents and any other agreement between such entities and a Fund.

The managers, officers, and employees of each of Hudson and Affiliated Service Providers will devote such time as the applicable entity, in its sole discretion, deems necessary to

perform its obligations under its agreements with a Client. The managers, officers, and employees of Hudson and Affiliated Service Providers will also perform services for other unrelated customers and conflicts of interest may arise in allocating management time, services, or functions among Clients and other customers of such entities. Neither Clients nor their investors shall have any right to the compensation received by Hudson or Affiliated Service Providers in connection with the services they provide to their customers. In addition certain Affiliated Service Providers are owned by certain Funds, in which certain Principals (as defined below), the owners of a Fund's General Partner and the employees of Lone Star may have an ownership interest, and this ownership may create a conflict with respect to the engagement of such Affiliated Service Provider for such Principals, owners and employees.

- a. **Hudson.** As noted in Item 5, the General Partner of each Fund expects to retain Hudson to provide underwriting/due diligence and analysis, asset management, and ancillary and other support services to the Funds and affiliated entities. We believe that the use of Hudson as a service provider to the Funds provides several benefits, including cost, quality of service, and speed of execution. However, the use of Hudson also presents certain conflicts of interest for Lone Star and the Funds.

As described in Item 5, Hudson will receive Hudson Fees from each Client as set forth in its Governing Documents. By virtue of their or their associated entities' ownership interest in Hudson, certain of the Principals or their associated entities will benefit from Hudson's relationship with and its receipt of Hudson Fees from the Clients. Such Hudson Fees and relationship will enhance the value of Hudson, and the limited partners of the Clients (other than those limited partners holding direct or indirect interests in Hudson) will not participate in any increase in the value of Hudson by virtue of their ownership of an interest in a Client.

Because Lone Star is a related person of Hudson, Lone Star may have an incentive to increase the Hudson Fees received by Hudson from the Funds, particularly as Hudson Fees do not reduce or offset any other compensation payable to Lone Star. Conflicts may also arise in determining whether Hudson has performed its obligations to the Funds. We believe that these conflicts are mitigated through the following structural and procedural approaches:

- *Lone Star Oversight of Hudson Fees:* Because of their interests in the General Partners (and in some cases, the Employee Investment Vehicles), members of management of Lone Star are incentivized to monitor the cost incurred and quality of services received by the Funds, including from Hudson. In addition to the investment reviews described in Item 13 below, Lone Star and Hudson periodically review cost and efficiency metrics regarding the services provided by Hudson.
- *Fee Benchmarking:* Lone Star and Hudson periodically compare the asset management fee limits and Hudson Fees charged for ancillary services and

underwriting/due diligence and analysis against fees charged by third-party service providers.

- b. Affiliated Service Providers.** Affiliated Service Providers are sometimes engaged to provide services to Funds. The fees paid by the Funds receiving services under such arrangements ultimately benefit both the Affiliated Service Provider and the owner(s) of such Affiliated Service Provider (which may be either another Fund or Hudson). The fees that an Affiliated Service Provider will receive from a Fund are set forth in the Fund's Governing Documents or have been approved by the advisory committee of investors created pursuant to a Fund's Governing Documents ("Advisory Committee") of the relevant Funds.
- 2. Employee Investment Vehicles.** Lone Star and/or Hudson have established and are expected to continue to establish co-investment programs to allow Key Employees to indirectly co-invest in investments of Funds. The terms of the corresponding Employee Investment Vehicles are disclosed in a Fund's Governing Documents. Although the purpose of the employee co-investment program is to align the interests of the Key Employees with those of the Funds, the program will also present conflicts of interest. For example, one or more of the Employee Investment Vehicles may be structured as an incentive program, and in connection therewith, Hudson, LSGA, or one or more of their affiliates may own interests in such vehicles and/or provide all of the funding related to the interests held by the Key Employees participating in such vehicles. Because Lone Star, Hudson, and/or the Key Employees participating in the Employee Investment Vehicles will typically decide whether to participate and the extent of the participation following the final closing of a Fund (subject to the minimum required participation set forth in the relevant Fund's Governing Documents), LSGA, Hudson, and the Key Employees may, at the time such decisions are made, have information regarding potential investments and the projected profitability of current investments that may be more comprehensive than information known by the Funds' investors at the time they made their investments. Key Employees may also be given or offered the opportunity to initiate or increase their participation in future investments during the investment period of a Fund, and may, at such time, have information regarding potential investments that is more comprehensive than information known by the Funds' investors at the time they made their investments; provided, however, that ownership by the Employee Investment Vehicles in existing investments will not be subject to further adjustment. Prior to a Fund's final closing and until commitments are received from the Employee Investment Vehicles, LSGA, Hudson, and/or one or more of their affiliates will initially fund the minimum co-investment amount. Following a Fund's final closing, Key Employees will be given the opportunity to participate through one or more Employee Investment Vehicle(s) in existing investments as well as future investments to be made by the Fund. Participation in the Employee Investment Vehicles will be determined by LSGA and/or Hudson by investment, region, investment type, or otherwise in an effort to incentivize Key Employees and align their interests with the interests of the relevant Fund. LSGA and/or Hudson (and

not the individual Key Employees) will determine the aggregate co-investment percentage for investments by Employee Investment Vehicles based on the foregoing and will adjust the ownership of the Employee Investment Vehicles in the existing investments. The maximum contribution the Employee Investment Vehicles can make to an investment is immaterial in relation to the total investment made by the relevant Fund. At the time that LSGA and/or Hudson determines the initial co-investment percentage, LSGA and/or Hudson will adjust the ownership of the Employee Investment Vehicles in the existing investments. Such adjustments will be made using the cost basis to the Fund, which may be lower than the fair market value of the investments at the time the adjustments are made.

The Key Employees participating in the Employee Investment Vehicles may have an incentive to recommend the acquisition or disposition of assets based on their personal interests rather than the best interests of the Fund. If LSGA and/or Hudson structure one or more Employee Investment Vehicles as an incentive program, the Key Employees participating in such Employee Investment Vehicles will not have their own assets at risk, which could exacerbate the likelihood that the recommendations they make entail a higher level of risk. In addition, Key Employees who are not participating in the incentive program and have their own assets at risk may not be financially able to meet capital calls. Financing or other funding arrangements may be made available to the Employee Investment Vehicle or to the Key Employees to fund all or a portion of the Key Employees' investment. The financing provided to Key Employees or to the Employee Investment Vehicles on their behalf may be extensive, and to the extent such financing is recourse, may have a significant effect on the net worth of the Key Employees, and whether recourse or non-recourse may influence the Key Employees responsible for the provision of investment advice to recommend higher risk investments than they otherwise would. LSGA and Hudson have implemented policies and procedures that are designed to help mitigate these conflicts.

Also, consistent with an applicable Fund's Governing Documents, a Fund typically temporarily funds the entire cost of the acquisition of investments, subject to the relevant Employee Investment Vehicle's obligation to reimburse the Fund, including Unconsummated Transaction Expenses. Amounts temporarily funded by a Fund accrue interest that is paid to the Fund, together with the reimbursement of capital. The Employee Investment Vehicle shares in the risks and benefits of any hedging and financing transactions that occur prior to reimbursement of the Fund, although the Fund is directly exposed to the Key Employees' share of these risks, as well as investment-related risks, prior to reimbursement. The Employee Investment Vehicles are not responsible for any portion of the management fees payable to LSGA and other general Fund costs (including accounting and audit costs).

- 3. Investment Opportunity Allocations.** We currently have and are likely in the future to acquire other investments, organize other funds, or manage certain investments held by third parties with investment objectives or strategies that overlap, perhaps substantially, with those of the Funds. In connection with these activities, conflicts are likely to develop with respect

to the allocation of investments when a prospective investment, or a portion of such investment, meets the investment objectives or strategies of one or more Funds. Such conflicts may include whether to allocate a particular investment, or a portion of such investment, to one Fund or to another Fund or Client, including without limitation, (i) such Fund's or Client's related investment entities (including special or alternative investment vehicles, feeder funds, or parallel investment entities formed to invest with such Fund or Client) or (ii) any Co-Investment Vehicle formed to invest with a Fund in a particular transaction and/or a specific investment strategy.

The Funds are subject to provisions in their respective Governing Documents that prescribe the applicable Fund's investment scope, investment limitations and parameters, and exclusivity requirements (the "Contractual Investment Guidelines"). When making allocation decisions, we are guided by the Contractual Investment Guidelines of the Funds, as well as our internal allocation procedures and principles. For each investment allocation decision, we first apply the relevant Contractual Investment Guidelines; however, in some circumstances the Contractual Investment Guidelines will not be determinative, and in such situations, a portion of an investment may fall within the Contractual Investment Guidelines, or overlap with the Contractual Investment Guidelines of one or more Funds. In cases where a particular investment, or a portion of an investment, falls within the Contractual Investment Guidelines of more than one Fund, we will apply our internal allocation principles to determine which Fund(s) should make the investment, or a portion of such investment. In addition, we have established an allocation committee (the "Allocation Committee") comprised of senior Lone Star professionals to oversee the application of LSGA's internal allocation principles. Our internal allocation principles reflect considerations that we determine in good faith to be fair and reasonable as of the allocation determination, such as:

- The Contractual Investment Guidelines;
- The nature of the asset;
- The nature of the market;
- The anticipated source of returns;
- The investment opportunity's risk profile;
- The anticipated leverage ratio;
- The nature of the control position or joint control position;
- The expected life cycle of the relevant Funds;
- The targeted rate of return and investment holding period of the relevant Funds;
- The existing portfolio of investments of the relevant Funds;

- The expected amount of capital required to make the investment as well as the relevant Funds' current and projected capacity for investing (including for any development or potential follow-on investments);
- The relative capital commitments of the relevant Funds, including the relative amount of such capital commitments not yet committed for investment;
- The status of an investment relative to the relevant Fund's investment period (e.g., investments that are "in process");
- The remaining investment periods of the relevant Funds and the likelihood of other investment opportunities arising during those Funds' investment periods which meet the investment objectives of those Funds;
- The ability of the relevant Funds to accommodate structural, timing, and other aspects of the investment process; and
- Legal, tax, contractual, regulatory, and other considerations deemed relevant by the Allocation Committee.

While we seek to apply a generally consistent framework and approach when making allocation decisions, the application of LSGA's allocation principles is a fact-intensive exercise. The relevance of each allocation principle will vary based on the investment opportunity, with no single factor consistently outweighing the others. Furthermore, the weight we ascribe to certain considerations will evolve over time in response to, among other things, changes in market conditions, the competition for investments and the mix of opportunities available to the Funds. Furthermore, decisions made by LSGA with respect to the structuring of a potential investment (including, for example, leverage levels) are made in its sole discretion and those decisions may influence, for example, whether an investment opportunity is considered to have satisfied such underwriting criteria, and accordingly to which Fund an investment is allocated. In a facts and circumstances analysis, it is difficult to mitigate conflicts of interest, because such an approach is inherently subjective. The Allocation Committee will be tasked with seeking to mitigate this conflict. Further, allocation decisions are based on the information available at the time the investment is initially originated and evaluated for investment. This information may prove, in retrospect, to be incomplete or otherwise flawed.

To the extent the Funds have different fee, expense, and compensation structures, Lone Star will have an incentive to allocate an investment opportunity based on factors such as whether a particular Fund would generate a higher fee, result in the payment of more Carried Interest or other compensation, and/or would cause the payments of either of the foregoing to be made sooner. In addition, the Principals, other Lone Star senior management, and the Key Employees will generally participate directly or indirectly in investments made by the Funds in which they invest. Such individuals would obtain greater financial benefit if an investment opportunity were allocated to a Fund in which they hold an interest (or allocated to a Fund in

which the individual holds a greater interest than such individual's interest in another Fund). These interests present conflicts of interest in determining how much, if any, of certain investment opportunities to allocate to a Fund. To the extent Lone Star determines appropriate, conflict mitigation strategies may be put in place with respect to a particular circumstance, such as recusal, disclosure, or other steps determined appropriate by Lone Star. Lone Star expects that its procedures and internal principles will help mitigate the risk that these incentives influence investment opportunity allocation decisions.

An allocation decision may result in a Fund being allocated an entire investment opportunity, or one or more Funds sharing an investment opportunity on a basis consistent with LSGA's internal allocation principles. If the decision is made to allocate all or any portion of an investment opportunity to more than one Fund, rather than to a single Fund, the amount of the investment opportunity available to each Fund will be correspondingly reduced. In certain cases, a Fund's General Partner may decline to pursue an investment opportunity if it determines that a Fund's allocation is too small to be appropriate for the Fund to invest.

In certain cases, Lone Star will not determine final allocations among Funds until after certain expenses or other amounts have already become due and payable. In these circumstances, a Fund may initially bear the full amount of an upfront payment or expense, even if other Funds ultimately participate in the investment. In such a circumstance, the Fund(s) making the investment would be responsible for reimbursing the initial Fund for its proportionate share of such payment or expense when Lone Star determines the final allocation of the investment opportunity among such Funds. While unlikely, it is possible that a Fund could default on its reimbursement obligation.

A Fund may participate in the acquisition or disposition of portfolios of assets in conjunction with other Funds. While it is anticipated that such joint transactions will benefit each Fund, there can be no assurance that such a benefit will materialize, and such transactions create conflicts of interest for Lone Star. There may be circumstances, including, for example, when a seller seeks to dispose of a pool or combination of assets, securities or instruments, and a Fund participates in a single or series of related transaction(s) with such seller and certain of the assets, properties, securities, or instruments related to such transaction(s) are specifically allocated (in whole or in part) to one or more Funds. The allocation of such specific items generally would be based on Lone Star's evaluation of the expected returns and risk profile of such items and whether such items fit the Contractual Investment Guidelines of the relevant Funds, and in any such case the combined purchase price paid to a seller would be allocated among the multiple assets, properties, securities, or instruments based on a determination by Lone Star, the seller, and/or by a third-party valuation firm. Similarly, there will likely be circumstances, including in the case where there is a single buyer who is seeking to purchase a pool or combination of assets, properties, securities or instruments, where one or more Funds participate in a single or related transaction(s) with such buyer where certain of such assets, properties, securities, or instruments are owned (in whole or in part) by one or more of the Funds. The allocation of such specific items generally would be

based on Lone Star's determination of the expected returns for such items, and in any such case the combined purchase price paid by such buyer would be allocated among the multiple assets, properties, securities, or instruments based on a determination by Lone Star, such buyer, and/or by a third-party valuation firm. There can be no assurance that the relevant investment will not be valued or allocated a purchase price that is higher or lower than it might otherwise have been allocated or received if the various assets of such investment were sold independently rather than as a component of a portfolio sale that contains investments sold by other Funds.

The Allocation Committee's determinations in certain circumstances will result in an allocation on a non-pro rata basis and there can be no assurance that a Fund will participate in all investment opportunities that fall within its Contractual Investment Guidelines. Allocation determinations are inherently subjective and give rise to conflicts of interest due to the inherent biases in the process.

- 4. Co-Investors.** A Fund's investment activities may generate the opportunity for certain persons or entities to co-invest in such investments alongside the Fund in Co-Investment Vehicles. Unless otherwise agreed with an investor or required by a Fund's Governing Documents, the General Partner of the Fund will have no obligation to offer co-investments to any limited partner; provided that, if a co-investment opportunity arises, the General Partner may approach one or more partners or third parties, in its sole discretion, to secure funding for such co-investment. There can be no guarantee, prediction or projection of the availability to limited partners of the Funds of future co-investment opportunities. Investing in a Fund, other than as set forth in a Fund's Governing Documents, does not entitle any investor to allocations of co-investment opportunities and such opportunities may, and typically will, be offered to some but not other limited partners or to third parties who are not limited partners. The performance of co-investments is not aggregated with that of the Funds, including for purposes of determining the General Partners' Carried Interest or management fees payable to LSGA. The allocation of co-investment opportunities may involve a benefit to Lone Star including, without limitation, performance-based compensation from the co-investment opportunity. There can be no assurances with respect to the amount of any investment opportunity that will be allocated to a Fund. Co-investors generally will not share in Unconsummated Transaction Expenses.

Limited partners of the Funds are not required to participate in co-investments offered by the Funds' General Partners. Moreover, transaction-specific returns, and an investor's overall returns from its exposure to a Fund's investments, may be affected significantly by the extent to which limited partners are offered and choose to participate in co-investment opportunities. The actual number of co-investment opportunities made available to an investor in one Fund may be higher or lower than those made available in connection with such investor's investment in another Fund. In addition to the co-investment program for Key Employees, Lone Star and Hudson personnel and their affiliates may co-invest alongside a Fund.

Potential co-investors may have a variety of different relationships with the Funds or Lone Star, creating potential conflicts of interest in determining any co-investment strategy. As noted above, fee and expense arrangements for co-investors are often different from those of the Funds, and the General Partners in their sole discretion on a case-by-case basis, may reduce or waive any or all Carried Interest and other amounts and/or enter into preferential economic arrangements (including, but not limited to the cross promote of any co-investments) for the benefit of one or more co-investors, which may impact decisions on how to allocate.

Additionally, the Funds and co-investors will often have different investment objectives and limitations, such as return objectives and maximum hold periods. Lone Star, as a result, will have conflicting incentives in making decisions with respect to such opportunities. Even if the Funds and any such parties invest in the same assets on similar terms, conflicts of interest will still arise as a result of differing investment profiles of the investors, among other items. Furthermore, it is possible a Fund's interest may be subordinated or otherwise adversely affected by virtue of such co-investors' involvement and actions relating to its investment.

5. **Syndication.** A Fund may acquire an investment and subsequently syndicate, or sell some or all of it, to other Funds, joint venture partners, or affiliates or related parties of the foregoing, to "strategic" partners, to limited partners or other third parties. A Fund's General Partner may cause these transfers to be made at cost, or cost plus an interest rate or carrying cost charged from the time of acquisition to the time of transfer, notwithstanding that the fair market value of any such investments may have declined below or increased above cost from the date of acquisition to the time of such transfer. The General Partner may also determine another methodology for pricing these transfers, including fair market value at the time of transfer. Also, the General Partner may charge fees on these transfers to either or both of the parties to them. Conflicts of interest are expected to arise in connection with these affiliate transactions, including with respect to timing, structuring, pricing and other terms. For example, a Fund's General Partner will have a conflict of interest when the General Partner receives fees, including Carried Interest, from a Fund acquiring from or transferring to another Fund all or a portion of an investment.
6. **Expense Allocations.** For certain fund structures with vehicles investing on a side-by-side basis, certain expenses of an investment transaction may be paid by one Fund vehicle and subject to reimbursement by the other Fund vehicle(s). In such circumstances, the Fund vehicle that has paid these expenses bears the risk that the other Fund vehicle(s) will not have sufficient capital to reimburse the expenses in a timely fashion, or at all.

Employee Investment Vehicles invest on a side-by-side basis with the applicable Fund pursuant to co-investment agreements. The expenses of an investment transaction may be paid by a Fund or a fund vehicle and subject to reimbursement from any associated Employee

Investment Vehicle. The Fund or fund vehicle that has paid these expenses bears the risk that the Employee Investment Vehicle will not have sufficient capital to reimburse the expenses in a timely fashion, or at all.

The expenses discussed in Item 5 may be shared by multiple Funds. This creates conflicts of interest for Lone Star in some instances, as the allocation of such expenses may impact the performance of different Funds, as well as Carried Interest allocations of such Funds. Lone Star and Hudson allocate such expenses exercising good faith and consistent with Lone Star's policies and procedures designed to ensure that expense allocations are equitable and consistent with the requirements of the applicable Funds' Governing Documents. Certain expenses shared by one or more Funds may be initially paid by a single Fund, which is reimbursed by other Funds for their appropriate share of the relevant expenses.

From time to time, we determine whether to allocate certain other fees and expenses among Clients, Lone Star, and Hudson. In exercising our discretion to allocate such fees and expenses, we face a variety of potential conflicts of interest. We will generally allocate fees and expenses to be split between us and the Clients (including fees and expenses incurred in the offering of the Funds, investment advising of the Clients, and investment opportunities), in each case in accordance with the Clients' Governing Documents. To the extent not addressed in the Governing Documents, Lone Star generally will allocate such fees and expenses in our sole discretion, in each case in good faith using our best judgment. Because certain expenses are paid for by a Client or, if incurred by us, are reimbursed by a Client, we will not necessarily seek out the lowest cost options when incurring (or causing a Client to incur) such expenses.

- 7. Allocation of Unconsummated Transaction Expenses.** We employ the same principles as described above under "Investment Opportunity Allocations" when allocating Unconsummated Transaction Expenses. With respect to such expenses, we generally make such allocation decisions while a transaction is pending based on our best judgment as to the Client to which we will ultimately allocate the transaction. This judgment is necessarily subjective, especially when a transaction is terminated at a particularly early stage. When we abandon an opportunity, absent a factual development to the contrary, we will allocate the fees and expenses for such transaction to such Client or Clients. The allocations of fees and expenses among Clients may not be proportional. For example, to the extent one or more Clients were involved in an unconsummated transaction, the fact that Clients at times have different expense reimbursement terms, including with respect to management fee and similar offsets, could result in Clients bearing different levels of expenses with respect to the same investment. As discussed above in Item 5, in certain instances we will evaluate investment opportunities that, if consummated, we would likely offer in part to prospective co-investors. If such a potential investment is not consummated, the full amount of any expenses relating to such potential but not consummated investment and co-investment (including, but not limited to, reverse termination fees, extraordinary expenses such as litigation costs and judgments and other expenses) will typically be borne entirely by the

Client (and any related Clients that would have participated in such investment), rather than by any prospective co-investors (including any other Co-Investment Vehicles or third-party co-investors).

The financial position of the relevant Clients may give us an incentive to allocate such fees and expenses to one such Client and not another. For example, it would be advantageous to allocate Unconsummated Transaction Expenses to a Client or other vehicle that is not expected to pay Carried Interest to its General Partner, as the fees and expenses would not affect the amount of Carried Interest paid—it would be zero in any case. Conversely, it typically would be disadvantageous as an economic matter to allocate Unconsummated Transaction Expenses to a Client that is paying Carried Interest, as doing so would delay and reduce the amount of Carried Interest paid to the relevant General Partner. As with our other allocation decisions, our allocation procedures and principles are designed to help mitigate the risk that financial incentives implicitly influence the allocation of Unconsummated Transaction Expenses.

A Fund's General Partner is not required to and in most circumstances will not seek reimbursement of Unconsummated Transaction Expenses from third parties, including potential counterparties to the potential transaction or potential co-investors. Any such Unconsummated Transaction expenses could, in the sole discretion of the General Partner, be allocated solely to one Fund and not to other Funds or Co-Investment Vehicles that could have made the investment. In the event Unconsummated Transaction Expenses are allocated to a Fund or a Co-Investment Vehicle, a General Partner or Fund may advance such fees and expenses without charging interest until paid by the other Fund or Co-Investment Vehicle, as applicable.

- 8. Rates of Third-Party Advisors and Other Conflicts Relating to Service Providers.** As described above, the Clients will retain or pay for advisers and service providers, including accountants, administrators, lenders, bankers, brokers, attorneys, sourcing persons and consultants. Some of these advisers and service providers also provide services to or have other relationships with LSGA and/or Hudson. While we will generally seek to engage advisers and service providers on behalf of Clients on the basis of the quality of the advice and other services provided, these relationships may influence our decision to select or recommend an adviser or service provider to perform services for Clients (the cost of which will generally be borne directly or indirectly by Clients). For example, such service providers are, in certain circumstances, investors in a Fund or affiliates of such investors. The engagement of any such service provider may be concurrent with an investor's admission to a Fund, or during the term of such investor's investment in the Fund. Lone Star generally has an incentive to recommend the products or services of certain investors or prospective investors in the Funds to the Funds or their portfolio companies for use or purchase, even though the products or services recommended may not necessarily be the best available to the Funds or the portfolio companies.

Lone Star, Hudson, their personnel, the Funds and the portfolio companies of the Funds from time to time engage common service providers. In certain circumstances, advisers and other service providers may charge rates or establish other terms for advice and services provided to LSGA, Hudson, their personnel, or any of their respective affiliates that are different from and more favorable than those charged in respect of advice and services provided Funds or their portfolio companies. Moreover, whereas we often negotiate on a matter-specific basis the rates or amounts payable for such services, the Clients from time to time pay higher rates or amounts than we would for such services.

This creates a conflict of interest between Lone Star and its personnel and affiliates, on the one hand, and the Funds and/or portfolio companies, on the other hand, in determining whether to engage such service providers, including the possibility that Lone Star will favor the engagement or continued engagement of such persons if it, or its personnel, receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by the Funds and/or the portfolio companies. Neither the Funds nor investors in the Funds will receive the benefit of any such favorable rate or discount provided to Lone Star, its personnel or its affiliates, and the management fee paid by any Fund will not be reduced in connection with such favorable rate or discount.

In addition, service providers often charge varying amounts or may have different fee arrangements for different types of services provided. For instance, fees for various types of work often depend on the complexity of the matter, the expertise required and the time demands of the service provider. As a result, to the extent the services required by Lone Star, its personnel or its affiliates differ from those required by the Funds and/or its portfolio companies, Lone Star, its personnel and its affiliates will pay different rates and fees than those paid by the Funds and/or its portfolio companies.

Additionally, employees of Lone Star or its affiliates, and/or their family members or relatives may have ownership, employment, or other economic or other interests in certain service providers. These relationships can influence Lone Star in determining whether to select, or recommend such service provider to perform services for a Fund or a portfolio company. Although Lone Star selects service providers that it believes will enhance portfolio company performance (and, in turn, the performance of the relevant Fund(s)), there is a possibility that Lone Star, because of financial, business interest, or other reasons, may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person.

Lone Star or its affiliates engage certain service providers (including law firms) on behalf of the Funds and personnel of such service provider have in the past and may in the future be seconded to Lone Star or its affiliates on a temporary basis, pursuant to various arrangements including at cost or at no cost. Lone Star is, from time to time, a beneficiary of these arrangements as well. Such personnel may provide services in respect of multiple matters, including in respect of matters related to Lone Star, its affiliates and/or portfolio companies and in any such circumstance the benefits or costs of any such personnel will be allocated in

Lone Star's discretion taking into consideration the usage of such personnel. In such circumstances, a conflict of interest exists because Lone Star or its affiliates have an incentive to select one service provider over another on the basis that Lone Star or its affiliates may receive the benefit of seconded employees from such service provider, particularly where the compensation and expenses for such personnel during the secondment is borne by the service provider and not Lone Star or its affiliates.

Lone Star and the Funds will generally engage common legal counsel and other service providers in a particular transaction, including a transaction in which there may be conflicts of interest. Members of the law firms engaged to represent the Funds may be investors in a Fund, and may also represent one or more portfolio companies or investors in a Fund. In the event of a significant dispute or divergence of interest between Funds, Lone Star and/or its affiliates, the parties may engage separate counsel in the sole discretion of Lone Star and its affiliates, and in litigation and other circumstances separate representation may be required.

9. Transactions with Investors. The Funds or SPVs occasionally enter into transactions with investors or potential investors in the Funds. For example, a Fund investor may be permitted to bid on an asset being sold by a Fund. Such transactions create potential conflicts of interest for Lone Star, which may be motivated to confer a benefit on an investor in order to encourage investment in future Funds or gain support on matters requiring investor approval. Lone Star has implemented policies and procedures designed to ensure that any such transactions are in the best interests of the applicable Funds and are carried out on an arm's-length basis.

10. Transactions with and between Funds. Transactions with and between Funds may be approved as set forth in a Fund's Governing Documents or may be required to be approved by consent of each Fund's Advisory Committee. Additionally, Lone Star, in limited circumstances, may cause a Fund to sell assets to, purchase assets from, or otherwise share in an investment transaction with another Fund. These transactions create conflicts of interest because, by not exposing any such transactions to market forces, a Fund may not receive the best terms otherwise possible, or Lone Star might have an incentive to improve the performance of one Fund by selling underperforming assets to another Fund in order, for example, to earn fees. To address conflicts of interest, Lone Star has implemented policies and procedures to address such transactions. Subject to certain exceptions, a Fund's Governing Documents generally require its Advisory Committee's prior approval of conflicts of interest between Lone Star and a Fund or among Funds, including proposed cross or principal transactions.

Examples of certain transactions between Funds that are approved by the Governing Documents of certain Funds are set forth below.

A Fund may (i) jointly bid on a potential transaction with another Fund (or one or more operating companies of other Funds) advised by the Adviser, Hudson or their affiliates (including another Fund or an operating company of another Fund), (ii) enter into a joint

venture agreement for the purpose of acquiring the assets comprising such transaction, and/or (iii) collectively finance the assets of such transaction, provided that in each case each Fund (or operating company) shall split the economic interests in the acquired assets in a manner consistent with their respective investment parameters and shall each bear its share of the costs and expenses of such transaction in proportion to such economic split (in the case of (i), (ii), or (iii), a “Joint Fund Transaction”). Such investments may be made via a joint venture vehicle or by acquiring such assets for the purpose of dividing them among the Funds. In addition, the Funds may obtain joint financing with respect to the purchase of such assets. Conflicts may arise with respect to the operations of such a joint venture vehicle especially with respect to management, disposition of assets, and dealing with any joint financing. If the assets are to be divided, conflicts may arise in connection with allocating the assets between Funds if the assets are suitable for more than one Fund. If the assets are owned by a joint venture between more than one of the Funds, one Fund could be the minority owner and may not have control of the day-to-day activities of the joint venture, which may affect such Fund’s ability to protect its interests in the joint venture investments. Further, if one of the other joint venturers incurs any type of difficulty, such difficulty may affect the performance of the joint venture and/or create a negative market or industry perception with respect to the joint venture and the Funds. Finally, there may be circumstances where one or more of the Funds purchase and finance together an asset or pool of assets in a single transaction using a single credit facility. In such cases, the terms of financing the transaction may be impacted by the aggregate quality of the collateralized assets purchased by such Fund(s), meaning a Fund’s financing costs could be higher than if a Fund financed only the assets allocated to it. The Funds from time to time enter into borrowing arrangements that require the Funds to be jointly and severally liable for the obligations. If one Fund defaults on such arrangement, the other Funds may be held responsible for the defaulted amount. Such financing-related considerations are expressly considered as part of Lone Star’s allocation policies and principles, including review by the Allocation Committee.

A Fund may also invest in or acquire entities (directly or indirectly) that provide services to, or are used for investing (“Investment Platforms”) by one or more other Funds, provided that the investment in, or purchase, of such Investment Platform (including any investment in or purchase of such Investment Platforms from one or more other Funds) satisfies the requirements for such investment in the Fund’s Governing Documents, the economic interests, costs, expenses, and liabilities of such entities are reasonably allocated among the Funds holding interests in such entities; and appropriate reciprocal indemnification and risk-sharing provisions are put in place between the Funds holding interests in such entities (“Investment Platform Transactions”). Conflicts may arise in connection with allocating the economic interests, costs, expenses and liabilities of such entities between the Funds and in negotiating appropriate reciprocal indemnification and risk-sharing provisions. In addition, conflicts may arise with respect to the operations of such an Investment Platform especially with respect to management, disposition of assets, and dealing with any joint financing. A Fund may not have ultimate control of the Investment Platform, which may

affect such Fund's ability to fully utilize such platform or to utilize it to its full advantage. Further, if the Investment Platform is co-owned by another Fund and such Fund experiences any type of difficulty, such difficulty may impact the use of the Investment Platform and/or create a negative market or industry perception with respect to the Investment Platform, and the relevant Funds.

A Fund and/or its affiliates may engage certain affiliates of one or more other Funds to provide goods and/or services to the Fund and/or its affiliates, and similarly, said Fund and/or its affiliates may undertake the same for one or more affiliates of one or more of the other Funds ("Related Party Transactions"). The Governing Documents of certain Funds approve such Related Party Transactions provided they do not exceed certain dollar amounts and are on terms that are commensurate with those that would be negotiated on an "arm's-length" basis by third parties. Otherwise, such Related Party Transactions may be required to be approved by the Advisory Committee(s) of the relevant Fund(s).

In the event a Fund invests in an entity, such entity may transact business with other Funds provided that such transaction is in the ordinary course of business of both entities (including financing transactions where one entity is in the business of lending or arranging finance) and on terms that are commensurate with those that would be negotiated on an "arm's length" basis by third parties (any such transaction, an "Operating Company Transaction"). Specifically, with regard to Operating Company Transactions, Lone Star will have to make a determination as to whether the transaction is in the ordinary course of business of both parties (including financing transactions where one entity is in the business of lending or arranging finance) and on terms commensurate with those that would be negotiated on an "arm's-length" basis by a third-party. In addition, a Fund may divest of certain assets concurrently with entities owned or controlled by others of the Funds. For example, in limited situations Hudson may concurrently assist such Fund and another of the Funds in sales of similar investments and Lone Star may provide advice with respect to such a transaction. There can be no assurance that the returns received by such Fund will be the same as or better than those received by another of the Funds due to a variety of factors. Lone Star will take steps to seek to mitigate the foregoing conflicts, but such mitigation may be incomplete or ineffective.

- 11. Possession of Material Non-Public Information.** Lone Star periodically comes into possession of material, nonpublic information with respect to investment targets and other public companies in connection with advising the Funds. Lone Star maintains policies and procedures designed to protect such information in accordance with applicable regulations, including maintenance of internal watch and restricted lists. Lone Star also maintains policies and procedures designed to seek to ensure the confidentiality of client information generally. However, Lone Star generally does not maintain formal "information barriers" between different groups. As a result, possession of material, nonpublic information by Lone Star will generally limit the ability of a Fund to buy or sell the applicable company's securities even if such information was not obtained on behalf of the Fund. In addition, the

Funds or their affiliates sometimes enter into confidentiality agreements that include provisions, such as “standstills”, that limit the ability of affected entities to buy or sell certain securities, potentially for extended periods.

Hudson also periodically comes into possession of material, nonpublic information with respect to investment targets and other public companies in connection with providing services to the Funds and other third-party clients. Hudson maintains policies and procedures designed to protect such information in accordance with applicable regulations, including maintenance of internal watch and restricted lists. Hudson also maintains policies and procedures designed to ensure the confidentiality of client information generally. However, Hudson generally does not maintain formal information barriers between different groups. Further, Lone Star and Hudson generally do not maintain formal information barriers between their operations. As a result, possession of material, nonpublic information by Hudson will often limit the ability of a Fund to buy or sell the applicable company’s securities even if such information was not obtained on behalf of the Fund.

- 12. Valuation.** The Funds’ investments are anticipated to include numerous illiquid, subordinate, non-traded, or lightly traded investments held in a variety of countries for which market values are not readily available and fair values may be difficult to estimate and rely heavily on management judgement and estimates of unobservable inputs.

The fair value of all investments or of any asset received in exchange for any investment will ultimately be determined by Lone Star’s Fair Value Approval Committee, in conjunction with and using information provided by Hudson. It may be the case that the carrying value of an investment may not reflect the price at which the investment is ultimately sold in the market, and the difference between carrying value and the ultimate sales price could be material. The valuation methodologies used to value any investment will involve subjective judgments and projections and may not be accurate. Valuation methodologies will also involve assumptions and opinions about future events, which may or may not turn out to be correct. Ultimate realization of the value of an asset depends to a great extent on economic, market and other conditions beyond Lone Star’s control. There will be no retroactive adjustment in the valuation of any investment or the Carried Interest or management fees paid to LSGA to the extent any valuation proves to not accurately reflect the realizable value of an asset in a Fund.

There may be circumstances where LSGA or Hudson is incentivized to determine valuations that are higher than the actual fair value of investments in the Fund’s accounting records or on investor reports in order to improve the performance presented to the Funds’ partners or prospective investors, or to minimize write-downs impacting allocations of the General Partner’s Carried Interest and LSGA’s management fee payments. Although Lone Star, supported by Hudson, has implemented valuation policies and procedures designed to mitigate these risks, there can be no assurances such valuations, or their underlying assumptions, will prove to be accurate. The valuation of investments will in certain circumstances affect the amount and timing of a General Partner’s Carried Interest and the

amount of management fees paid to LSGA. Similarly, the valuation of investments of a Fund may affect the ability of Lone Star to form and attract capital to its funds and investment vehicles. As a result, the valuation of investments of the Funds, which generally remains in the sole discretion of LSGA, as supported by Hudson, involves conflicts.

We generally determine, in our discretion, the fair value of each Client's assets. While we follow rigorous valuation methodologies and procedures that are designed to ensure that our fair value determinations are strictly the product of the application of U.S. generally accepted accounting principles (in particular, Financial Accounting Standards Board Accounting Standards Codification Topic 820, Fair Value Measurement), we have incentives to arrive at higher valuations. First, we are obligated under the Funds' relevant Governing Documents to write down assets upon a determination by the relevant General Partner(s), that the value (net of any debt encumbering such investment) of an investment (with respect to that portion of the investment as to which a disposition of such investment has not occurred as of such date) is less than investors' aggregate capital contributions with respect to such remaining investment (i.e., the portion of the investment that has not been disposed). A decision not to write down an investment would avoid or delay potential negative impacts on the amount of Carried Interest due to the general partner and potentially the amount of management fees paid to LSGA. Second, the rate of Carried Interest allocated to the general partners of certain Clients depends on whether the Client achieves a certain rate of return. Higher valuations could facilitate the Client's achievement of a rate of return that would result in the receipt by the corresponding general partner of a greater amount of Carried Interest than if the valuations were lower. Third, we regularly report to investors in the Funds and prospective investors in the Funds metrics of the Clients' performance, such as rates of return and multiples-of-money, whose calculation depends on the value of the Clients' investments, including unrealized investments. These reports are an indication of the overall health of the Funds and are important to our efforts to attract investors to the Funds. An objective of our valuation methodologies and procedures is to mitigate any influence these incentives may have on our fair value determinations.

Our valuations will be based to a large extent on our estimates, projections, comparisons and qualitative evaluations of private information, which may be incomplete or inaccurate. Lone Star does not typically engage third-party valuation agents. To the extent that Lone Star does engage a third-party valuation agent, such agent may not be able to replicate our methodology or to value accurately the Funds' investments. The amount of judgment and discretion inherent in valuing assets renders valuations uncertain and susceptible to material fluctuations over possibly short periods of time; substantial write-downs and earnings volatility are possible. Our determination of an investment's fair value may differ materially from the value that would have been determined if a ready market for the securities had existed and the valuations the managers of other funds or other third parties ascribe to the same investment. Our valuation of an investment at a measurement date may also differ materially from the value that is obtained upon the investment's exit.

13. Carried Interest. The allocation of Carried Interests at different rates, or subject to different hurdle rates, creates an incentive for us or our affiliates to disproportionately allocate time, services or functions to vehicles allocating Carried Interests at a higher rate (or subject to a lower hurdle rate), or to allocate investment opportunities to such vehicles. As noted above in “Investment Opportunity Allocations”, we have adopted policies and procedures that, among other things, seek to ensure that investment opportunities are allocated in a manner that we believe is consistent with the relevant Governing Documents and otherwise fair and reasonable under the circumstances, considering such factors as we deem relevant, but in our sole discretion. We also have an incentive to dispose of a Fund’s investments at a time and in a sequence that would generate the most Carried Interest, even if it would not be in the Client’s interest to dispose of the investments in that manner. In addition, recently enacted tax legislation in the United States requires an investment to be held for more than three years in order for professionals to treat Carried Interest related to such investment as long-term capital gains for tax purposes. This requirement may create a conflict between the interests of a Fund’s General Partner and the interests of the Fund’s limited partners because it may create an incentive for the General Partner to make different decisions regarding the timing and manner of disposal of an investment, including making a decision that takes the General Partner’s own tax consequences into consideration. This could motivate the General Partner to hold a Fund’s investments for longer than three years in order to obtain lower tax rates on Carried Interest gains even if there are attractive realization opportunities earlier. Additionally, the existence of the General Partners’ Carried Interest creates an incentive for the General Partners to cause such Funds to make more speculative investments than they would otherwise make in the absence of performance-based compensation.

14. Personnel-Related Conflicts. Lone Star, Hudson, and affiliates from time to time hire short-term or long-term personnel (or interns) who are relatives of or are otherwise associated with an investor, operating company, service provider, or other Lone Star or Hudson personnel. Although reasonable efforts are made to mitigate any potential conflicts of interest with respect to each particular situation, there is no guarantee that we mitigate all such potential conflicts of interest, and there may continue to be an ongoing appearance of a conflict of interest.

Certain of LSGA’s existing and former employees have in the past and may in the future transition, fully or partially, to roles with Hudson, operating companies or with Affiliated Service Providers. Such a transition may have the effect of shifting, directly or indirectly, the burden of the compensation of such employees from LSGA to the applicable Fund and/or its portfolio companies and, in the case of a transfer to Hudson, may result in Hudson earning a profit margin in respect of such transferred employee which will be borne in whole or in part by Clients. Accordingly, we have put in place policies and procedures to mitigate such conflicts, including review by LSGA Compliance to ensure that applicable personnel are serving in roles that are distinguishable from their former role(s) and otherwise consistent

with the nature of the services provided by Hudson, the operating company, or Affiliated Service Providers.

15. Outside Activities of Principals and Other Personnel and their Related Parties. Those persons designated as “Principals” in a Fund’s Governing Documents (each, a “Principal”) and/or other senior employees of Lone Star or Hudson may be subject to a variety of conflicts of interest relating to their responsibilities to the Funds and the Funds’ respective investments, and their outside business activities as members of investment or advisory committees or boards of directors or advisors to investment funds, corporations, foundations or other organizations (including certain private and/or public companies in which a Fund has an interest) with or without compensation. In addition, any such person who so serves will devote a portion of their time in the future to their duties associated with such positions. The Principals are also investors in certain other investments and have the right, as described in the relevant Fund’s Governing Documents, to make certain investments for their own benefit. The Principals will devote a portion of their time in the future to the management of such investments. Also, subject to the relevant Fund’s Governing Documents and Lone Star’s and Hudson’s policies and procedures, Lone Star and Hudson personnel may be permitted to invest in alternative investment funds, real estate funds, hedge funds and other investment vehicles, as well as securities of other companies, some of which may be competitors of one or more Funds. Investors in the relevant Fund will not receive any benefit from any such investments, and the financial incentives of Lone Star or Hudson personnel in such other investments could be greater than their financial incentives in relation to said Fund.

Such positions create a conflict if such other entities have interests that are adverse to those of the Funds, including if such other entities compete with the Funds for investment opportunities or other resources. The Lone Star personnel in question may have a greater financial interest in the performance of the other entities than the performance of the Funds. This involvement may create conflicts of interest in making investments on behalf of the Funds and such other funds, accounts and other entities. Although Lone Star will generally seek to minimize the impact of any such conflicts, there can be no assurance they will be resolved favorably for the Funds.

Additionally, certain personnel and other professionals of Lone Star have family members or relatives that are actively involved in industries and sectors in which the Funds invest or have business, personal, financial or other relationships with companies in such industries and sectors, which gives rise to potential or actual conflicts of interest. For example, such family members or relatives might be officers, directors, personnel or owners of companies or assets which are actual or potential investments of the Funds or other counterparties of the Funds and their investments. Moreover, in certain instances, the Funds or their SPVs may purchase or sell companies or assets from or to, or otherwise transact with, companies that are owned by such family members or relatives or in respect of which such family members or relatives have other involvement. In these circumstances, the relevant Fund’s Governing Documents may not preclude said Fund from undertaking any of these investment activities or

transactions. To the extent Lone Star determines appropriate, conflict mitigation strategies may be put in place with respect to a particular circumstance, such as recusal, disclosure or other steps determined appropriate by Lone Star. The investors in the relevant Fund rely on Lone Star to manage these conflicts in its sole discretion.

16. Providers of Operations Support. Lone Star, Hudson, their affiliates, the Funds and/or the Funds' portfolio companies will from time to time, directly or indirectly, retain other companies and individuals ("Operating Partners"), which include former employees of Lone Star, affiliates of Lone Star, employees of such affiliates, portfolio companies of the Funds, and third party consultants (including specialized consultants, advisers, industry specialists, external executives, industry advisory roundtable members, and similar professionals).

The Operating Partners are engaged to provide operational support, due diligence, research, specialized operations and consulting services and similar or related services to the Funds, or in connection with one or more portfolio companies or prospective portfolio companies in relation to the diligence, structuring, valuation, acquisition, holding, improvement and disposition of such portfolio companies (such services collectively, "Operating Partner Services"). These services may include support to a Fund's General Partner on behalf of the Fund, or to portfolio companies regarding, among other things, the portfolio company's management (including serving in management positions or participating in determining corporate strategy), serving on a portfolio company's board of directors, the company's supply chain, revenue and margin management (including determining sales/marketing strategy and retail strategy), data intelligence, finance (including generating metrics and reporting and business restructuring), human capital management (including recruiting personnel and determining executive/incentive compensation), information technology, corporate communications, customer service, sustainability (including, strategy, policy and reporting development), real estate matters and similar operational matters.

The nature of the relationship with each such Operating Partner and the time devotion requirements of each such Operating Partner may vary significantly. Certain Operating Partners may be subject to contractual obligations to exclusively provide certain services to the Funds and/or the portfolio companies. These arrangements may be memorialized in a formal written agreement or may be informal and are negotiated individually, depending upon the anticipated Operating Partner Services to be provided. Operating Partners may under certain circumstances be offered the ability (or may under certain circumstances have a preferred right) to co-invest alongside Funds or may under certain circumstances be offered the opportunity directly by the portfolio company to invest in the company, including in investments in which such Operating Partner is involved or participates in the management thereof.

Pursuant to the Governing Documents of the Funds, fees, compensation, expenses and any attributable overhead associated with Operating Partner Services (collectively, "Operations

Expenses”) are paid and/or reimbursed by Lone Star, Hudson, portfolio companies and/or the Funds. Operations Expenses (including Operations Expenses incurred in connection with an Operating Partner that is an affiliate or employee of Lone Star or its affiliates) will be determined at the discretion of a Fund’s General Partner, taking into account the particular Operating Partner Services, and may include reimbursement of an allocable portion of an affiliated Operating Partner’s compensation (including, without limitation, salary, bonus, payroll taxes and benefits) and overhead (including, without limitation, rent, property taxes and utilities allocable to the Operating Partner’s workspaces), an annual fee or retainer, a discretionary bonus, a success fee (in the form of cash or equity) based on pre-determined targets or milestones, a profits or equity interest in the Funds and/or portfolio company or other incentive-based compensation to the Operating Partner, and will generally be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the Operating Partner, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such companies. The determination of whether a service is an Operating Partner Service will be made by a Fund’s General Partner, in its good faith discretion. Operations Expenses will, from time to time also be incurred in respect of portfolio companies prior to the closing of a Fund’s investment in such portfolio company. To the extent Operating Partner Services are provided for the benefit of a Fund without reference to a particular portfolio company, Operations Expenses incurred in connection with such Operating Partner Services are borne by the Fund and, indirectly, the investors in such Fund. In the event one or more Operating Partners (directly or indirectly) is providing Operating Partner Services with respect to more than one Fund, such Operations Expenses will be allocated among the applicable Funds as determined by Lone Star, consistent with the Governing Documents of the applicable Funds and as described above (*See* Item 11 – “Expense Allocation”). To the extent any such Operations Expenses are payable to any unaffiliated or disaffiliated Operating Partner, as determined by the relevant General Partner(s) in its sole discretion, by the Funds or a portfolio company, such Operations Expenses will be retained by such Operating Partner and will not offset the management fee payable by investors in the Funds and will not benefit a Fund or its investors, even if the Operations Expenses paid by a Fund or a portfolio company have the effect of reducing any retainers or minimum amounts otherwise payable by Lone Star. The determination of whether an Operations Expense is paid by a portfolio company, a Fund, or Lone Star will be made by Lone Star in its sole discretion. Over time, certain former employees of Lone Star (including senior personnel) may transition to an Operating Partner role, which may shift the burden of compensating such persons from Lone Star to the applicable Fund and/or its portfolio companies and any fees received by such persons will not reduce the management fee payable by investors in the Fund.

- 17. Use of Subscription Lines.** The General Partners have used and use general credit facilities for working capital, including to fund management fees and other partnership expenses, to

finance investments, to bridge capital calls, to provide interim bridge financing and capital, and for other similar purposes. Certain borrowings under the general credit facilities must be repaid or replaced with alternative financing or funding within the time periods specified in a Fund's Governing Documents. Utilizing borrowed funds in advance or in lieu of calling capital affords us flexibility to manage cash flows to and from Fund investors and eases the investors' burden of responding to multiple capital calls. It also allows a Fund to act more quickly on investment opportunities, since the period of time to draw capital under a credit facility is typically shorter than the period required for calling capital from investors. It may also increase the probability of a Fund making a Carried Interest payment to the General Partner. However, utilizing borrowed funds increases certain risks (*See* Item 8 – "Leverage") to the Fund and creates conflicts of interest.

We have incentives to engage in fund-level borrowing notwithstanding the expense and risks that accompany it. For example, we present certain performance metrics, such as certain net internal rates of return ("IRR") and capital return multiples in the Funds' periodic reports and marketing materials for other Funds. These performance metrics measure investors' actual cash outlays to, and returns from, the Funds and thus depend on the amount and timing of investor capital contributions to the Funds and the Funds' distributions to investors. To the extent the Funds use borrowed funds in advance or in lieu of calling capital, investors make correspondingly later or smaller capital contributions. As a result, the use of borrowed funds generally results in the presentation of higher performance metrics than simply calling capital, even after accounting for the attendant interest expense.

Fund-level borrowing can also affect the return that investors in a Fund must receive before the Fund's General Partner accrues Carried Interest (the "preferred return"), as well as the Carried Interest the General Partner receives, as preferred return and Carried Interest generally depend on the amount and timing of capital contributions and distributions of proceeds. In particular, the preferred return typically begins to accrue after investor capital contributions are made (regardless of when a Fund borrows, makes the relevant investment, or pays expenses) and ceases to accrue upon return of such capital contributions. Using borrowing to shorten the period between calling and returning capital limits the amount of time the preferred return will accrue. Since a Fund generally does not pay preferred return on funds borrowed in advance or in lieu of calling capital, fund-level borrowing will therefore reduce the amount of preferred return to which a Fund's investors would otherwise be entitled had the Fund called capital in lieu of borrowing on the general facility, and thus could allow the Fund's General Partner to receive Carried Interest sooner than it would without borrowing. Similarly, certain Funds' Carried Interest rate is based in part on a net IRR calculation. The net IRR of the Funds for these purposes also depends on the timing of actual investor capital contributions and not on the Fund's deployment of capital. As a result, if we borrow money in lieu of issuing capital calls, the applicable Carried Interest rate may be higher than it would be had we not used borrowings. We therefore have an incentive to cause the Funds to borrow money for investments and expenses in larger amounts or over longer periods of time.

In addition, the batching of capital calls may amplify the magnitude of potential defaults by investors as a result of there being fewer but larger capital calls. To the extent a subscription facility is due upon demand by a lender (such as upon an event of default or otherwise), such a demand may be issued at an inopportune time at which liquidity is generally constrained, potentially resulting in greater defaults as a result of such liquidity constraints and/or investors facing similar capital calls in multiple funds and being unable to satisfy all such demands simultaneously. Moreover, the existence of a subscription facility may impair an investor's ability to transfer its interest in a Fund as a result of restrictions imposed on such transfers by the lender.

Borrowing by a Fund will generally be secured by capital commitments made by the limited partners to the Fund and/or by the Fund's assets, and documentation relating to such borrowing may provide that during the continuance of a default under such borrowing, the interests of the investors may be subordinated to such Fund-level borrowing. Moreover, tax-exempt investors should note that the use of borrowings by a Fund may cause the realization of UBTI.

18. Conflicts Related to the Withholding of Certain Information. The Governing Documents of certain Funds generally permit each such Fund's General Partner to withhold information from certain limited partners or investors in such Fund in certain circumstances. For instance, information will at times be withheld from limited partners that are subject to FOIA or similar requirements, or from limited partners under circumstances where the General Partner believes the information, if disclosed, could be harmful to the Fund and/or is trade secret information. The General Partner will also from time to time elect to withhold certain information from such limited partners for reasons relating to the General Partner's public reputation or overall business strategy, despite the potential benefits to such limited partners of receiving such information.

19. Conflicts Related to the Interpretation of Governing Documents and Other Legal Requirements. The Governing Documents of each Fund and related documents are detailed agreements that establish complex arrangements among the limited partners, the Fund, the General Partner and other entities and individuals. Questions arise under these agreements regarding the parties' rights and obligations in certain situations, some of which will not have been contemplated at the time of the agreements' drafting and execution. In these instances, the operative provisions of the agreements, if any, may be broad, general, ambiguous or conflicting, and may permit more than one reasonable interpretation. At times there will not be a provision directly applicable to the situation. While we will construe the relevant agreements in good faith and in a manner consistent with our legal obligations (and, when appropriate, in consultation with external legal counsel), the interpretations we adopt will not necessarily be, and need not be, the interpretations that are the most favorable to the Funds or their investors.

20. Management of the Funds. The ultimate success of the Funds is dependent on the Principals and the officers and employees of Lone Star. Such persons will devote such time as Lone Star, in its sole discretion, deems necessary to carry out the operations of each of the Funds effectively. However, the Principals have an obligation to devote a significant amount of their time working on matters related to more than one Fund during the Funds' commitment periods. Lone Star personnel may also work on other projects, serve on other committees and source potential investments for and otherwise assist the investment programs of other investment vehicles and their investments. Time spent on these other initiatives diverts attention from the activities of the Funds, which could negatively impact a Fund and its limited partners. In addition, should any of the Principals become incapacitated or in some way cease to participate in a Fund, its performance could be adversely affected. Furthermore, Lone Star and certain Lone Star personnel derive financial benefit from these other activities, including fees and performance-based compensation. These and other factors create conflicts of interest in the allocation of time by Lone Star personnel. Subject to the Governing Documents of each Fund, Lone Star's determination of the amount of time necessary to conduct a Fund's activities will be conclusive, and limited partners of such Funds will rely on Lone Star's judgment in this regard. Lone Star may from time to time modify its investment process and procedures, including by changing the number and members of a Fund's investment committee or other Lone Star committees.

Investment decisions are initially made by a Fund's investment committee, which includes the Principals of such Fund. Discussion and debate among them are generally helpful to the investment decision making process but excessive disagreement could adversely impact a Fund.

21. Positions with Portfolio Companies. Employees of Lone Star from time to time serve as directors of, or observers on boards with respect to, certain portfolio companies owned by one or more Funds. While conflicts of interest may arise in the event that such employee's fiduciary duties as a portfolio company director conflict with such employee's duties to the Fund and Lone Star, it is expected that the interests will be aligned. In addition, to the extent an employee serves as a director on the board of more than one portfolio company, such employee's fiduciary duties among such portfolio companies may create a conflict of interest. In addition, employees of Lone Star have in the past, and may in the future, on occasion leave the employment of Lone Star or its affiliates and become an officer, director, or employee of a portfolio company or related entity. In such case, upon becoming an officer or employee of a portfolio company, any compensation or fees received by such former employee from the portfolio company will not offset the management fee payable to LSGA.

Decisions made by a director may subject Lone Star, its affiliates or a Fund to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other director-related claims. In general, the Funds will

indemnify Lone Star, its affiliates, and their partners, principals and employees from such claims. In addition, the employees of Lone Star serving as directors may make decisions for a portfolio company that negatively impacts returns received by a Fund investing in the portfolio company.

From time to time employees of Lone Star may also be asked to serve as directors of, or observers with respect to, certain entities in which a Fund has fully exited its ownership interest and/or following the termination of such employee's employment with Lone Star.

In connection with co-investment opportunities, some co-investors (which may include one or more investors in the Funds) may be provided with the opportunity to serve on the board of directors or board of advisors of the applicable portfolio company. Positions on the board of directors or board of advisors of a portfolio company provide such co-investors with voting rights, access to information and the ability to potentially influence the operations and decision-making of the portfolio company that are not available to other investors in the Funds. In certain cases, co-investors have contractual rights that require the approval of the co-investors for certain major actions relating to the applicable portfolio company, such as a sale of the company or the issuance of additional equity by the company. Such rights may limit the ability of Lone Star to take actions with respect to the portfolio company that Lone Star considers to be in the best interests of the Funds.

Certain personnel of Hudson or its affiliates are from time to time temporarily seconded to or otherwise engaged by certain portfolio companies on either a full-time or a part-time basis to provide services to such portfolio companies. The services provided under such arrangements remain subject to the provisions in the Funds' Governing Documents relating to Hudson Fees and third-party expenses. In certain instances, whether an individual who provides services to a portfolio company should be characterized as an industry specialist, an employee or former employee of Hudson, or a seconded employee may be unclear. In such cases, Lone Star will make a determination in good faith based on its evaluation of the relevant facts and circumstances.

22. Side Letter Agreements; Advisory Committee Rights. The General Partner of each Fund has entered into side letters with certain limited partners in connection with their admission to the Fund without the approval of any other limited partner, which has the effect of establishing rights (other than as set forth in the Funds' Governing Documents as a general matter) under or altering or supplementing the terms of the Governing Documents with respect to such limited partners in a manner more favorable to such limited partners than those applicable to other limited partners. Such side letters may permit such limited partners to take actions on the basis of information not available to other limited partners that do not have the benefit of such agreements. Any rights or terms established in a side letter with a limited partner will govern solely with respect to such limited partner (and any of such Limited Partner's assignees or transferees if so specified in the side letter) and will not require the approval of any other limited partner notwithstanding any other provision of the Governing Documents.

Each Fund has established an Advisory Committee, consisting of representatives of investors. A conflict of interest exists when some, but not all limited partners are permitted to designate a member to the Advisory Committee. The Advisory Committee may also have the ability to approve conflicts of interest with respect to Lone Star and the applicable Fund, which could be disadvantageous to the investors, including those investors who do not designate a member to the Advisory Committee. Representatives of the Advisory Committee from time to time have various business and other relationships with Lone Star and its partners, employees and affiliates. These relationships may influence the decisions made by such members of the Advisory Committee.

In addition, a members of one Fund's Advisory Committee may from time to time also be a member of another Fund's Advisory Committee. In such instances, a conflict of interest exists because the Funds on which such overlapping Advisory Committee members serve may have conflicting interests, and such Advisory Committee members may be requested to provide their consent with respect to such conflicts of interest and will not recuse themselves from any such vote.

23. Other Benefits. Lone Star, Hudson, their affiliates and their personnel and related parties will receive intangible and other benefits, discounts and perquisites arising or resulting from their activities on behalf of the Funds, which will not offset or reduce management fees or otherwise be shared with the Funds, their SPVs or their investors. For example, airline travel or hotel stays will result in "miles" or "points" or credit in loyalty or status programs, and such benefits will, whether or not *de minimis* or difficult to value, inure exclusively to the benefit of Lone Star, Hudson, their affiliates or their personnel or related parties receiving them, even though the cost of the underlying service is borne by a Fund as partnership expenses or by its SPVs. For certain Funds, limited partners consent to the existence of these arrangements and benefits.

24. Insurance. The Funds will purchase or bear premiums, fees, costs and expenses (including any expenses or fees of insurance brokers) with respect to General Partnership Liability insurance insuring the Funds and their SPVs, as well as the General Partners and persons entitled to indemnification from the Funds, against liability in connection with the activities of the Funds. The General Partnership Liability insurance policies cover one or more of the Funds, their General Partners, Lone Star, Hudson and their affiliates (including their respective directors, officers, employees, agents and representatives, and persons entitled to indemnification). Hudson, in consultation with Lone Star, will make judgments about the allocation of premiums, fees, costs and expenses for said policies among one or more of the Funds, Lone Star, Hudson and their affiliates on a fair and reasonable basis, in its sole discretion.

The Funds (and their respective investments) may jointly maintain asset level insurance programs to take advantage of improved coverage and unit pricing that are available to insurance programs with greater economies of scale. Allocations of premiums, fees, costs

and expenses would be based on objective criteria that is customarily used to underwrite a particular type of insurance, hereinafter referred to as “exposure information”. For example, some property insurance could be allocated on a property-by-property basis in accordance with the relative values of the respective properties that are insured by such policies.

Additionally, the Funds (and their respective SPVs) may jointly contribute to a pool of funds that may be used to pay losses that are subject to the deductibles on any group insurance policies, which contributions may similarly be allocated in accordance with the exposure information that is customarily used to underwrite the overarching insurance program, including but not limited to the relative values of the respective assets that are insured under property insurance policies (or other factors that Lone Star may reasonably determine). In respect of such insurance arrangements, Lone Star may make corrective allocations from time to time should it determine subsequently that such adjustments are necessary or advisable. There can be no assurance that different allocations or arrangements than those implemented by Lone Star as provided above would not result in certain of the Funds bearing less (or more) premiums, deductibles, fees, costs and expenses for insurance policies.

Item 12: Brokerage Practices

A. Counterparty Selection

We seek to trade assets on behalf of Clients in a manner that is fair and equitable to all Clients, and to exercise diligence and care throughout the transaction process. The majority of the Funds’ assets are not market-traded instruments and even in the limited circumstances where a Fund invests in market-traded instruments, often these are unique assets that are only available from one or a limited number of counterparties (i.e., there is no meaningful market). The investment counterparty is typically chosen as part of the Investment Committee’s approval of the investment, and Hudson then assists in implementing the investment decision. Therefore, the traditional best execution concepts that apply to market-traded instruments do not easily apply to the majority of the assets that we trade on behalf of Clients.

In those cases where LSGA selects broker-dealers or other counterparties for transactions in market-traded instruments on behalf of its Clients, we will do so consistent with our duty of best execution. LSGA defines “best execution” as seeking to obtain the best terms for its clients under the particular circumstances occurring at the time of a transaction and taking into account the overall objective for the investment to which the transaction relates. It is our policy to seek to achieve the best qualitative execution under the circumstances. Best execution does not require LSGA to obtain the lowest possible price, commission or transaction cost. Transactions may involve specialized services or considerations (such as the type of assets the Client is seeking to purchase or sell, or the availability of financing opportunities to the applicable Client) that must be considered when selecting a counterparty, and thereby entail higher

markups or commissions than would be the case with transactions that do not involve any specialized services or considerations. Furthermore, because our Clients typically invest in assets that may be purchased from only one or a small number of counterparties, we may not be able to obtain terms that are as favorable as those that may be available in a market with more potential counterparties.

In seeking best execution, we may consider the full range and quality of a counterparty's services, including, among other things, one or more of the following factors, as applicable:

- the counterparty's ability to present Lone Star with a transaction that meets the investment objectives of the relevant Client for whom the transaction is executed, including a counterparty's ability to source unique assets that may be held by a limited number of entities or by a single entity;
- the best price possible under the particular circumstances of the transaction (for example, for a sale transaction, we may determine that the best price may be obtained through a competitive auction process open to a number of counterparties or, alternatively, we may determine that the best price may be achieved through price negotiations with a limited number of counterparties);
- the ability of the counterparty to provide financing on the assets purchased, including either bridge financing until permanent financing can be obtained or long-term financing at inception on terms which we believe are in the best interests of the relevant Client (which considerations may include, amongst others, rate, term, recourse and asset management flexibility) (for a sale transaction, Lone Star may take any breakage costs related to a financing and the willingness of a counterparty to waive such breakage costs into consideration);
- the counterparty's credit terms prior to requiring the posting of margin;
- the counterparty's ability to commit capital needed to execute the transaction;
- the ability and history of the counterparty to maintain confidentiality of a transaction (or prior transactions);
- the ability of the counterparty to execute quickly and the ability to commit capital and/or financing quickly in light of the size of the transaction;
- the reliability, integrity, reputation and execution capability of the counterparty for effecting transactions in light of the size and difficulty of executing the order;
- the financial strength and creditworthiness of the counterparty; and
- the counterparty's specialized knowledge or experience in a particular market.

B. Research, Other Soft Dollar Arrangements and Investor Referrals

We receive proprietary research and other services from certain broker-dealers, which we may use to service one or more of the Funds. We do not, however, cause the Funds to pay increased commissions in order to obtain the research and services provided by broker-dealers, and we do not consider the provision of such research and services in the recommendation or selection of broker-dealers. When identifying potential transactions and selecting counterparties for those transactions, LSGA considers whether a potential counterparty provides referrals of investors to the Funds. We may, however, as discussed above, select a broker-dealer based on its ability to source investments for the Funds. We do not enter into commission sharing agreements with broker-dealers relating to transactions executed for the benefit of the Funds, or participate in directed brokerage arrangements. Further, we will not accept directed brokerage instructions from the Funds or their underlying investors.

During fundraising periods, the General Partners of the Funds may use the services of a placement agent. All fees and expenses paid to the placement agent are ultimately the responsibility of the General Partner of the applicable Fund, as governed by the provisions of the applicable Fund's Governing Documents. Lone Star considers, when selecting counterparties, whether a potential counterparty provides referrals of investors to the Funds; Lone Star selects counterparties pursuant to one or more factors described above under "Counterparty Selection."

C. Other Third Parties

In addition to transactions with banks and broker-dealers, we may engage other service providers on behalf of the Funds with respect to the execution of transactions, such as lenders and real estate brokers and agents. These service providers are subject to similar selection criteria as broker-dealers, but may also be selected based on the geographic location of the assets and the service provider's experience with the type of assets involved.

D. Aggregation of Client Transactions

We generally do not aggregate orders for the Funds, although Lone Star does aggregate the transactions of a Fund among its U.S./Bermuda Funds (if applicable) and Employee Investment Vehicle(s) as described in Item 11 – "Expense Allocations".

E. Trade Errors

Although we seek to exercise diligence and care when trading assets on behalf of the Funds, errors may occur during the trading process. We attempt to minimize trade errors by promptly reconciling confirmations with trade tickets or similar transaction documentation. To the extent that a trade error occurs, we work to correct the error as soon as practicable and in such a manner that any resulting loss is minimized. If a trade error results in a gain, the affected Fund(s) will retain the gain. As described in the applicable Fund's Governing Documents, any loss caused by a trade error will be borne by the affected Fund(s) unless the error is the result of bad faith, gross negligence or willful misconduct by LSGA. We do not use commitments of future brokerage business to compensate any broker-dealer for absorbing the cost of a trade

error. However, to the extent we can demonstrate that a counterparty was partly or entirely responsible for a trade error, we may ask that counterparty to bear part or all of the cost of the error.

Item 13: Review of Accounts

The Clients' investment portfolios are generally private, illiquid and long- or medium-term in nature; accordingly, our review of them is not directed toward a short-term decision to dispose of securities. However, we generally maintain ongoing strategic oversight with regard to Client investments. The Lone Star originations and Hudson asset management teams meet periodically with Lone Star's executive leadership and others to update them on investment performance and related matters.

We generally do not provide formal written reports to any Client unless specifically requested by the relevant General Partner. We report to investors in a Client in accordance with the applicable Governing Documents.

Item 14: Client Referrals and Other Compensation

We do not receive economic benefits from a non-client for providing investment advice or other advisory services to its clients. Any Additional Fees will be offset against management fees or expenses payable by the affected Fund(s) to LSGA.

Lone Star does not have advisory clients other than the Funds and certain related entities. Neither Lone Star nor its related persons directly or indirectly compensate any third party for Client referrals. We from time to time enter into placement agent arrangements with unaffiliated third parties regarding the solicitation of investors to the Funds for compensation. LSGA has entered into placement agent agreements for certain Funds with respect to solicitation of investors in certain regions, and each such placement agent is paid a fee that is typically based on the amount of capital committed by each investor solicited by the placement agent and accepted by the General Partner of the applicable Fund. All fees and expenses paid to the placement agent are ultimately the responsibility of the General Partner of the applicable Fund, as governed by the provisions of the applicable Fund's Governing Documents.

Item 15: Custody

Not applicable.

Item 16: Investment Discretion

We provide investment advisory services involving a significant amount of investment discretion to the Funds. Although each General Partner may impose restrictions on LSGA, it is not anticipated that a General Partner would do so.

Pursuant to the Advisory Agreement of each Fund and certain Co-Investment Vehicles, and subject to the direction and control of the General Partner of such Fund or Co-Investment Vehicle, we generally perform the day-to-day investment operations of each such Fund and Co-Investment Vehicle in accordance with the terms and conditions of the Advisory Agreement and Governing Documents of such Fund or Co-Investment Vehicle. Some Co-Investment Vehicles are established to invest alongside one or more Funds in one or more particular investment opportunities. Because a Co-Investment Vehicle is typically contractually required, as a condition of its investment, to exit its investment in the particular investment opportunity at the same time and on the same terms as the applicable Fund that also is invested in the particular investment opportunity, we generally will not have any discretion to invest the assets of such Co-Investment Vehicles independently of such contractual requirements.

Item 17: Voting Client Securities

Lone Star has established written policies and procedures setting forth the principles and procedures by which Lone Star votes or gives consent with respect to securities owned by the Funds (“Vote(s)”). In executing Votes, Lone Star seeks to maximize the economic value of relevant Funds’ holdings, taking into account the Funds’ investment horizon, the relevant Governing Documents, and any other facts and circumstances the Adviser determines to be appropriate at the time of the Votes. Funds generally cannot direct Lone Star’s Vote.

It is Lone Star’s general policy to vote or give consent on all matters presented to security holders in any Vote. But Lone Star reserves the right to abstain on any particular Vote or otherwise withhold its consent on any matter if, in Lone Star’s judgment, the costs associated with the Vote outweigh the benefits to the relevant Funds or if the circumstances make such an abstention or withholding otherwise advisable and in the best interests of the relevant Funds.

Initially, all Votes are referred to Hudson’s Legal Department. Hudson’s Legal Department is responsible for executing Votes. In so doing, Hudson’s Legal Department will consult with Lone Star’s Legal Department and may rely on available information and research.

Hudson’s and Lone Star’s Legal Departments have the responsibility to monitor Votes for potential conflicts of interest, regardless of whether such conflicts are actual or perceived. Upon identifying a potential conflict of interest, the Lone Star and Hudson Legal Departments will refer the Vote for review by the Lone Star Chief Compliance Officer, including a determination as to whether Lone Star, Hudson, or any investment professional or other person recommending how to Vote has a potential conflict of interest. Lone Star’s Chief Compliance Officer, in consultation with Lone Star’s Legal Department, will use his best judgment to address any such conflict of interest and ensure that the potential conflict is resolved based on an independent assessment of the best interests of the Funds.

Copies of relevant Vote-related documentation, identifying how Votes were voted in connection with a Fund and copies of Vote-related policies are available to any client or prospective client upon written request to Lone Star’s Chief Compliance Officer.

Item 18: Financial Information

LSGA does not require or solicit prepayment of fees. LSGA has never filed for bankruptcy, and we are not aware of any financial condition that is expected to adversely affect or is reasonably likely to impair LSGA's ability to meet contractual obligations to Clients.