

**Item 1. Cover Page**



**Altamont Capital Management, L.P.**

400 Hamilton Avenue, Suite 230  
Palo Alto, CA 94301

(650) 264-7750

[www.altamontcapital.com](http://www.altamontcapital.com)

Part 2A of Form ADV: Firm Brochure  
March 31, 2021

**This brochure provides information about the qualifications and business practices of Altamont Capital Management, L.P. If you have any questions about the contents of this brochure, please contact us at (650) 264-7750/ACP-Info@altamontcapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**Additional information about Altamont Capital Management, L.P. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). An investment adviser’s registration with the SEC does not imply a certain level of skill or training.**

## **Item 2. Material Changes**

This brochure (this “Brochure”), dated March 31, 2021, serves as an update to Altamont Capital Management, L.P.’s Brochure dated March 30, 2020 (the “Prior Brochure”). This Brochure contains updates to the Prior Brochure, including, but not limited to: (i) additional information on fees and expenses and (ii) additional disclosure regarding conflicts of interest. In addition, Altamont Capital Management, L.P. routinely makes updates throughout the Brochure to improve and clarify the description of its business practices, risks and compliance policies and procedures as well as to respond to evolving industry best practices. Please review this Brochure carefully and in its entirety.

### **Item 3. Table of Contents**

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#### **Item 4. Advisory Business**

For purposes of this Brochure, the “Adviser” means Altamont Capital Management, L.P., a California limited partnership, together (where the context permits) with its affiliated general partners of the Funds (as defined below) and other affiliates that provide advisory services to and/or receive advisory fees from the Funds. Such affiliates may or may not be under common control with Altamont Capital Management, L.P., but possess a substantial identity of personnel and/or equity owners with Altamont Capital Management, L.P. These affiliates are formed for tax, regulatory or other purposes in connection with the organization of the Funds, or serve as general partners of the Funds.

The Adviser provides investment supervisory services to investment vehicles (the “Funds”) that are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”) and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”).

The Funds make primarily long-term private equity and equity-related investments, as well as investments in debt instruments. In accordance with the Funds’ respective investment objectives described in the Funds’ Governing Documents (as defined below), investments are generally made in companies doing business in select verticals where the Adviser’s principals have significant knowledge and/or strategic points of view. Such industries include financial services, consumer, retail, industrials, healthcare and business services industries. The Adviser’s advisory services consist of investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of the Funds, managing and monitoring the performance of such investments and disposing of such investments. The Adviser may serve as the investment adviser or general partner to the Funds in order to provide such services.

The Adviser provides investment supervisory services to each Fund in accordance with the limited partnership agreement (or analogous organizational document) of such Fund, separate investment and advisory, investment management or portfolio management agreements and/or side letters entered into with certain Fund investors (each, a “Governing Document”).

Investment advice is provided directly to the Funds and not individually to the investors in the Funds. Services are provided to the Funds in accordance with the Governing Documents of the applicable Fund. Investment restrictions for the Funds, if any, are generally established in the Governing Documents of the applicable Fund.

The principal owner of the Adviser is Jesse Rogers. The Adviser was formed in 2010. As of December 31, 2020, the Adviser manages a total of \$2,837,709,170 of client assets, all of which is managed on a discretionary basis.

#### **Item 5. Fees and Compensation**

The Adviser or its affiliates generally receive Advisory Fees and Carried Interest (each as defined below) or similar performance-based remuneration from a Fund. A Fund, and/or its portfolio companies may also make other payments to the Adviser or its affiliates for services provided to the portfolio companies which, in certain circumstances, may reduce the Advisory Fees payable

to the Adviser. Additionally, consistent with the Governing Documents of the applicable Fund, such Fund typically bears certain out-of-pocket expenses incurred by the Adviser in connection with the services provided to such Fund and/or the portfolio companies. Further details about certain common fees and expenses are set forth below.

### **Advisory Fees**

As compensation for investment supervisory services rendered to certain Funds, the Adviser receives from each such Fund an advisory fee (each, an “Advisory Fee”) typically calculated based on committed capital or remaining invested capital, with respect to such Fund. Advisory Fees paid by a Fund may be reduced by certain other fees or compensation received by the Adviser or its affiliates that relate to such Fund’s activities and investments, or by certain excess organizational or other expenses borne by such Fund, as described in more detail below. Advisory Fees paid by a Fund are indirectly borne by investors in such Fund.

Advisory Fees are payable by the Funds to the Adviser for the period January 1 through June 30 of each calendar year on January 5 of each calendar year and for the period from July 1 through December 31 on July 5 of each calendar year.

The precise amount of, and the manner and calculation of, the Advisory Fees for each Fund are established by the Adviser, as modified by negotiations with investors in the applicable Fund, and are set forth in such Fund’s Governing Documents. The Advisory Fees and other fees and distributions described herein are generally subject to modification, waiver or reduction by the Adviser in its sole discretion, both voluntarily and on a negotiated basis with selected investors via side letter and other arrangements, which may not be disclosed to other investors in the same Fund. The fee structures described herein may be modified from time to time. Advisory Fees may differ from one Fund to another. In addition, the Adviser may enter into economic and/or other fee sharing arrangements with respect to one or more Funds and/or third parties which may be limited partners of the Funds, the rights of which will not generally be made available to other limited partners.

Certain investors in the Funds that are employees, service providers, business associates and other “friends and family” of the Adviser or its personnel (including any related entity established by any of the foregoing, such as trusts, charitable programs, endowments or related programs, family investment vehicles and other estate planning vehicles) (collectively, “Adviser Investors”) will not typically pay Advisory Fees or Carried Interest in connection with their investment in a Fund. Furthermore, the Adviser has in the past and may, from time to time in the future, establish certain Funds through which Adviser Investors or other third parties may invest alongside one or more Funds in one or more investment opportunities, which typically do not pay Advisory Fees or Carried Interest. Notwithstanding that Adviser Investors will generally not pay Advisory Fees, Adviser Investors will pay for their pro rata share of other Fund expenses or the pro rata portion of such expenses will be allocated to the Adviser or the general partner of the applicable Fund.

The Advisory Fees paid by a Fund will generally be reduced by a percentage of: (1) 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, (2) the amount of expenses incurred by

the Adviser in connection with the organization of such Fund that exceed a limit specified in such Fund's Governing Documents and/or (3) certain Other Fees (as defined and described in more detail below under "*Other Fees*") received by the Adviser or its affiliates. The amount and manner of such reduction, if any, is set forth in the Governing Documents of the applicable Fund. To the extent an Other Fee relates to more than one Fund, the Adviser allocates the resulting Advisory Fee reduction among the applicable Fund(s) in proportion to their interest (or prospective interest) in the relevant portfolio company. As some Funds do not pay Advisory Fees, any such reduction will not benefit such Funds. Generally, the portion of Other Fees allocable to capital invested by a Fund, co-investment vehicle or third-party investor that does not pay Advisory Fees will be retained by the Adviser and such amounts will not offset the Advisory Fee payable in respect of any Fund.

In addition, the Adviser may waive or reduce all or a portion of the Advisory Fee paid by a Fund in full or partial satisfaction of any obligation of the Adviser and certain employees and affiliates of the Adviser to invest in and alongside such Fund, which could result in acceleration of investor capital contributions. Waived or reduced Advisory Fees may not be subject to various offsets or the reductions described above. Due to waived or reduced Advisory Fees and/or the timing of receipt of compensation subject to offsets, Fund investors may not receive the full benefit of reductions or offsets or any benefit may be delayed (e.g., during periods when the Adviser no longer receives Advisory Fees and receives compensation that would otherwise be subject to offset, the Adviser would refund such excess amounts at liquidation; however, to the extent Fund investors waive such excess amounts, the Adviser is entitled to retain such compensation without remitting any such amounts to the applicable Fund or its investors).

Upon termination of an advisory agreement, Advisory Fees that have been prepaid are generally returned on a prorated basis.

## **Other Fees**

### *Fees Payable by the Portfolio Companies*

In addition to the Advisory Fees and Carried Interest, the Adviser and its affiliates from time to time receive a variety of other cash, equity and other non-cash fees relating to the investment activities of a Fund, its portfolio companies and prospective portfolio companies including transaction fees, monitoring fees, director fees, advisory fees, organization and financing fees, operational fees, commitment fees, break-up and topping fees, divestment fees, termination fees, project fees, fees relating to the arrangement of acquisitions or other financial restructuring, investment banking fees, fees relating to credit origination, loan syndication, loan servicing, "Other Corporate Services Fees" (as described below) and/or other types of management consulting and other similar operational and financial matters and/or other fees and annual retainers from, or with respect to, the portfolio companies and prospective portfolio companies (collectively with the other fees described in this section, "Other Fees").

As noted above, the Adviser and its affiliates receive "monitoring fees" pursuant to monitoring agreements with portfolio companies of the Funds governing the advice, consultation and other similar ongoing services provided by the Adviser to such portfolio companies. The terms of a

monitoring agreement may include (among other things) initial terms of up to ten years, annual automatic renewals, the payment of monitoring fees (which may be fixed fees or calculated as a percentage of EBITDA or similar performance metric), and the acceleration of payment of the monitoring fees upon certain termination events, including the occurrence of an initial public offering or strategic exit. It is the policy of the Adviser not to accelerate future monitoring fees on a sale or initial public offering of a portfolio company unless the Adviser expects to continue to be involved with such portfolio company following the sale or initial public offering and is not otherwise entitled to monitoring fees following the sale or initial public offering. Since the monitoring agreements may have prolonged terms (often exceeding ten years and/or subject to automatic extensions and renewal), the financial effect of such acceleration may be substantial, particularly in the event such circumstances occur early in the life of the Fund's investment in such portfolio company. Notwithstanding the foregoing, in the event of an initial public offering or other partial disposition, monitoring fees may continue to be paid so long as the applicable Fund continues to hold an other than *de minimis* position in such portfolio company and the Adviser or its affiliates continue to provide the monitoring services.

The Adviser and its affiliates may also receive "Other Corporate Services Fees" for management, advisory or other similar services rendered to portfolio companies, including advisory services with respect to refinancings and putting debt financing in place at a portfolio company.

The amount and timing of Other Fees received by the Adviser or its affiliates are generally specified in the agreement or other documentation governing the applicable transaction.

#### *Allocation of Other Fees and Advisory Fee Offset*

Although Other Fees are in addition to the Advisory Fees, the Adviser will in some circumstances reduce the amount of Advisory Fees paid by the applicable Fund in connection with the receipt of such Other Fees in accordance with the Governing Documents of the applicable Fund. Generally, under the terms of the applicable Governing Documents, for purposes of calculating any Advisory Fee offset, Other Fees are net of out-of-pocket costs and expenses incurred by the Adviser in connection with consummated or unconsummated transactions or in connection with generating any such fees. Other Fees are often substantial and may be paid in cash, in securities of the portfolio companies or investment vehicles (or rights thereto) or otherwise.

To the extent an Other Fee relates to more than one Fund participating (or expecting to participate) in an investment, the Other Fee is generally allocated among such Funds pro-rata based on the relative ownerships interest in the applicable investment (or for an unconsummated investment, the proposed ownership interest), or on such other basis that the Adviser determines to be fair and reasonable in its sole discretion. However, in determining how to allocate an Other Fee among more than one participating Fund, the Adviser will also take into account, among other things, the type of transaction (e.g., original acquisition or follow-on), the consideration involved in the transaction (cash or in-kind) and the value of the consideration.

To the extent any Fund does not pay Advisory Fees, such Fund's portion of such amounts would be retained by the Adviser and would not benefit any Fund. To the extent an Other Fee relates to more than one Fund, the portion of Other Fees allocable to capital invested by a Fund, co-

investment vehicle or third-party investor that does not pay Advisory Fees will be retained by the Adviser and such amounts will not offset any Advisory Fee paid to the Adviser.

Subject to the Governing Documents of a Fund, no offset is generally provided with respect to the portion of any such Other Fee allocable to third party co-investors, the Adviser Investors or to the general partner's (and affiliates') share of any such Other Fees.

From time to time, the Adviser will (in its sole discretion) agree to pay a portion of an Other Fee received from an actual or prospective portfolio company to a third party ("Third Party Fee"), such as a consultant, advisor, finder, broker, co-investor and/or investment bank. In such event, the Third Party Fee is not a fee that the Adviser is entitled to retain and therefore, the Adviser is not required under the terms of the Governing Documents to share such Third Party Fee with the Funds (and its investors) and such Third Party Fee will not reduce the Advisory Fee.

The payment of Other Fees by portfolio companies creates a conflict of interest between the Adviser and its affiliates and the Funds and their investors because the amounts of these Other Fees and reimbursements (see "*Expense Reimbursement*") below are often substantial and the Funds and their investors generally do not have a direct interest in these fees and reimbursements. The Adviser determines the amount of these Other Fees for the services provided and reimbursements in its own discretion, subject to agreements with sellers, buyers, and management teams, the board of directors of or lenders to portfolio companies, and/or third party co-investors in its transactions, and the amount of such fees and reimbursements often will not be disclosed to investors in the Funds. In many cases with respect to the implementation of such arrangements, there is not an independent third party involved on the behalf of the relevant portfolio company and therefore the fees are not subject to a market check. Therefore, a conflict of interest exists in the determination of any such fees and other related terms in the applicable agreement with the portfolio company by virtue of the Adviser acting on behalf of both parties.

To the extent required by the Governing Documents of the Funds, the Adviser will disclose in its annual report delivered to investors of any such Fund the amount of Other Fees allocated to such Fund.

Fees or other compensation for the provision of operational support, specialized operations, consulting services and similar or related services to, or in connection with, portfolio companies that are paid by a Fund or portfolio company to a non-employee professional or for which the Adviser is reimbursed will not reduce any fees otherwise payable to the Adviser.

Certain other fees and reimbursements that are generally not considered Other Fees and do not reduce the Advisory Fee payable by a Fund include (but are not limited to) the following: (i) the portion of any fees allocable to capital invested by a Fund, co-investment vehicle or third-party investor that does not pay Advisory Fees, (ii) fees or expenses borne by a Fund directly or reimbursed by the Fund, (iii) any amounts paid by a Holding Company (as defined in Item 11 below) to its management team, (iv) payments to providers of operations support (described below), including former employees who transition to an operating partner role, (v) expense reimbursements made by a portfolio company to the Adviser, and (vi) any amounts paid by a former portfolio company, such as directors' fees a former portfolio company pays an Adviser



professional who remains on the company's board of directors following the Fund's disposition of its investment in the company.

#### *Payments Made to Providers of Operations Support*

The Adviser and its affiliates also engage and retain senior advisors, advisers, consultants, and other similar professionals who are not treated by the Adviser as employees, from time to time, receive payments from, or allocations with respect to, portfolio companies and/or other entities. In such circumstances, the amounts of such fees or other compensation received by such persons are generally retained by such persons and will not be deemed paid to or received by the Adviser and its affiliates and such amounts will not be subject to the sharing arrangements described above and will not benefit the Fund or its investors. For a discussion of material conflicts of interest created by the engagement of such persons, please see "*Providers of Operations Support*" in Item 11 below.

#### *Portfolio Company Expense Reimbursement*

A portfolio company will typically reimburse the Adviser for expenses, including without limitation, travel and travel-related expenses, meals and entertainment expenses (including, as applicable, closing dinners and mementos, cars and meals, social and entertainment events with portfolio company management, customers, clients, borrowers, brokers and service providers), expenses relating to training programs, meetings or other events (to the extent such programs, meetings or events are attended by portfolio company personnel), expenses relating to hiring portfolio company personnel (including background checks, recruiting and relocation expenses), indemnification expenses, certain legal expenses (including legal costs associated with reviewing financing documents and agreements, whether on behalf of a portfolio company borrower or a lender) and similar out-of-pocket expenses, as well as consulting fees and other cash compensation and expenses, incurred by the Adviser in connection with its performance of services for such portfolio company. Such reimbursed expenses are generally not included in the definition of "Other Fees" under the terms of the applicable Governing Documents, and such reimbursements do not reduce the Advisory Fee. As used throughout this Brochure, "travel" and "travel-related" expenses shall be deemed to include, without limitation, all travel expenses for the use of private aircraft, first class or business class travel, black car ground transportation, accommodations, meals, events and entertainment.

### **Expenses**

#### *Adviser Expenses*

To the extent provided in the Governing Documents of the Funds and except as described below as a "Fund Expense", the Adviser will bear certain expenses and costs associated with the performance of its services, including expenses on account of rent, bookkeeping services, equipment, compensation and other expenses of its partners, officers and employees (other than Carried Interest described in Item 6 below) and other normal and routine administrative expenses relating to the services and facilities provided by the Adviser to the Funds. To the extent provided in the Governing Documents of the Funds, such expenses will not include the expenses (including

compensation and other expenses of personnel employed by the Adviser or any such affiliate) incurred by the Adviser or any of its affiliates for the provision of legal and tax services to the relevant Funds.

### *Fund Expenses*

Each Fund, consistent with such Fund's Governing Documents, will bear all other expenses relating to it to the extent not borne by its portfolio companies or third parties, which may include all fees, costs and other expenses incurred in connection with identifying, evaluating, structuring, negotiating, making, acquiring, holding, monitoring, selling (including a proposed sale), disposing or valuing of its proposed or actual investments, including, but not by way of limitation, private placement fees, finder's fees, syndication fees, solicitation fees, arranger fees, sales fees or commissions, investment banking fees, brokerage fees and commissions, underwriting commissions, and other professional fees, in each case, paid to third parties (other than the Fund's general partner, its partners, the Adviser, its directors, officers or employees, or any of their respective affiliates); other investment costs and expenses incurred in connection with the employment of any selling agent, broker, placement agent, or finder (other than placement agent fees payable in connection with the sale of interests in the Fund), and research expenses, due diligence expenses, custodial expenses and appraisal fees, fees, legal, accounting, advisory, actuarial and consulting fees and expenses relating to investments, including bridge investments, financing fees and expenses, investment banking fees, interest on borrowed money, real property or personal property taxes on investments, bank charges, fees, costs, and expenses incurred in connection with the maintenance of bank or custodian accounts, depository fees (including a depository appointed pursuant to the E.U. Alternative Investment Fund Managers Directive); travel and travel-related and entertainment expenses incurred in connection with a Fund's fundraising and investment activities, premium meals, social and entertainment events (with portfolio company management, customers, clients, borrowers, brokers and service providers); fees paid to third-party diligence software and service providers, research and other information (including any research or other service that may be deemed to be bundled for the benefit of a Fund), as well as the information technology systems used to obtain research and other information; subject and industry-matter research and experts; expenses incurred in connection with complying with provisions in investor side letter agreements, including "most favored nation" provisions; the costs associated with any amendments, modification, revisions or restatements to the Governing Documents of a Fund (including the solicitation of any consent, approval, waiver or similar acknowledgment from the limited partners and/or the advisory board or preparation of other materials in connection with compliance (or monitoring compliance) with such documents) and compliance with, legal, regulatory, environmental, social, governance and other similar standards applicable to the Fund, its investments and potential investments, including diligence thereof and any requirements relating to the foregoing set forth in one or more side letters; taxes applicable to such Fund on account of its operations; expenses of loan servicers and other service providers; expenses incurred in connection with the registration of the securities held by such Fund under the Securities Act or other applicable securities laws or regulations; and all expenses incurred in connection with the resolution of claims or disputes involving existing or potential portfolio companies, to the extent such expenses are not paid by such portfolio companies or shared with other investors; all out-of-pocket costs and expenses, if any, incurred by or on behalf of such Fund in sourcing, identification, investigation, development, due diligence, researching,

negotiating, evaluating and structuring prospective or potential investments which are not ultimately made, including without limitation, break-up fees paid by the Fund in connection therewith, fees, costs and other expenses associated with researching such proposed transaction or investment, travel expenses (including costs and expenses of accommodations, meals and aircraft travel), and any legal expenses (including legal expenses incurred in connection with claims or disputes related to unconsummated investments that would have been allocable to co-investment vehicles or co-investors, and including legal advice for fund matters including structuring, filing costs, regulatory advice and other compliance matters, and in certain cases for portfolio company matters); fees and expenses of organizing, maintaining, administering, restructuring, operating and negotiating joint venture arrangements and platform investments; accounting, advisory, financing and consulting costs (including fees of affiliated consultants) and expenses in connection therewith to the extent not reimbursed by portfolio companies or prospective portfolio companies (whether such companies are related or unrelated to the prospective investment) or a third-party, including expenses and costs that would have been allocable to co-investors had such prospective or potential investment been consummated, if the amount allocable to such co-investors is not paid by such parties; Operations Support Expenses (as defined in Item 11 below); fees, costs and expenses related to the organization or maintenance of any intermediary entity used to acquire, hold or dispose of an investment or to otherwise facilitate a Fund's investment activities; expenses associated with such Fund's financial statements and tax returns, including without limitation reasonable out-of-pocket expenses incurred by such Fund's general partner (or any other person designated by such general partner) in serving as the tax matters partner or taxpayer representative of such Fund and all expenses incurred in connection with any tax audit, investigation, settlement or review of the Fund that are not subject to indemnification by a limited partner and not actually borne or paid by such limited partner; fees, costs, and other expenses incurred in connection with the maintenance of the Fund's books of account and the preparation of audited or unaudited financial statements and Fund tax returns required to implement the provisions of the Fund's Governing Documents or by any governmental authority with jurisdiction over the Fund (including the fees of the independent certified public accountant incurred in connection with the annual audit of such Fund's books and the preparation and filing of such Fund's annual tax return and Schedule K-1s or equivalent information); reasonable out-of-pocket expenses of the members of the advisory board and expenses relating to the meetings and activities of the advisory board (including venue, travel and travel-related expenses, material costs, speaker fees, honorarium, and fees, costs and expenses associated with any legal counsel, accountants, auditors, financial advisors or other third-party service providers, experts or advisors retained to assist the advisory board and other expenses incurred in connection with advisory board action); expenses of maintaining an office of such Fund and/or its general partner in such Fund's jurisdiction of organization and all related governmental fees and expenses incurred to maintain such Fund's and its general partner's ability to conduct business under the laws of such jurisdiction of organization; fees, costs and other expenses associated with insurance, including general partner liability, D&O, professional, fidelity and other similar insurance, fees, costs and other expenses associated with Fund meetings or meetings with one or more limited partners (including venue and travel expenses, and fees, costs and other expenses associated with third-party service providers); fees, costs and expenses of preparing, printing and circulating any Fund mailings and reports pursuant to the Governing Documents of such Fund (or in response to requests from limited partners to the extent not actually borne or paid by such limited partners), including the costs incurred to provide access (whether through any software, website or other portal) to such reports, and any fees or imposts of a governmental

authority imposed in connection with such books and records and statements; all fees, costs and other expenses of outside counsel, accountants, consultants and other professionals, including without limitation legal fees and expenses incurred in connection with prosecuting or defending administrative or legal proceedings relating to such Fund brought by or against such Fund or its general partner, its partners or the Adviser, its officers, directors or employees (provided, that such parties shall not be entitled to be reimbursed for any legal fees and expenses incurred by any of them if they would not be entitled to indemnification pursuant to such Fund's Governing Documents with respect to such expenses); all fees, costs and other expenses arising out of such Fund's indemnification obligations pursuant to its Governing Documents; all fees, costs and other expenses incurred in connection with litigation (including damages), arbitration or other extraordinary events and the amount of any judgments or settlements paid in connection therewith; all fees, costs and other all expenses relating to compliance-related matters and regulatory filings of such Fund, the Adviser and their respective affiliates (including, without limitation, expenses relating to the preparation and filing of Form PF and other regulatory filings relating to such Fund and its activities and affiliates, including all reports, disclosures, filings and notifications prepared in accordance with U.S. Commodity Futures Trading Commission and the U.S. Securities and Exchange Commission and the Adviser's compliance obligations arising from the E.U. Directive 2011/61/EU on Alternative Investment Fund Managers with respect to the Fund; out-of-pocket costs and expenses, if any, associated with any third-party examination or audits (including similar services) of a Fund or the Adviser that are attributable to the operation of such Fund or requested by one or more investors in a Fund; fees, costs and other expenses incurred in connection with any audit, examination, investigation, settlement, review or other proceeding by any taxing authority or incurred in connection with any regulatory or governmental inquiry or public relations undertaking or other proceeding or undertaking, in each case, involving or otherwise applicable to such Fund (but not including any fees, costs or expenses incurred in connection with any SEC examination of the Adviser); expenses incurred in connection with anti-money laundering or "know your customer" compliance, laws, regulations, tax, diligence and/or related procedures; any taxes, fees, duties, interest and other governmental charges levied against the Fund or its subsidiaries or their respective income or assets or in connection with their respective businesses or operations (including interest and penalties thereon), except to the extent such amounts are allocable to or indemnifiable by a limited partner and actually borne or paid by such limited partner; all extraordinary expenses, fees, costs and other expenses and costs of winding up or liquidating the Fund, including its subsidiaries, including but not limited to legal and accounting fees and expenses; expenses of any fund administrator, depositories, custodians and valuation experts; fees, costs and other expenses relating to any permitted borrowings, guarantees or other credit arrangements of the Fund, such as interest, commitment fees, upfront fees, legal fees, structuring fees and underwriting fees, and other fees and expenses relating to borrowed money, expenses relating to a defaulting limited partner; marketing, offering, selling, advertising, printing, wholesaling and other fundraising expenses associated with the admission of an investor and investor-related services and other similar costs; all costs and expenses relating to withdrawals or transfers of interests by limited partners (to the extent not actually borne or paid by the withdrawing or transferring limited partner or any transferee); all other fees and expenses of such Fund or its general partner and their affiliates in connection with the business or operation of such Fund and its investments; organizational and start-up expenses of such Fund and its general partner and other carry vehicles, as well as any other fees or expenses incurred by the Adviser or such Fund in connection with such Fund's operations that are not specifically set forth above as being paid by

the Adviser. Each Fund will pay its share of expenses and fees generated in the course of evaluating potential investments, including investments which are not consummated (including certain advisory, transaction, consulting and other similar fees paid to the Adviser or the Adviser's affiliates, and legal expenses incurred in connection with claims or disputes related to unconsummated or proposed investments and including costs and expenses related to business development and expenses that would have been borne by co-investment vehicles) as set forth in the Governing Documents of such Fund, and such Fund's allocable share of expenses and fees incurred in the course of making investments, in each case, to the extent not borne by portfolio companies or prospective portfolio companies (whether such companies are related or unrelated to the potential investment). In such cases, the Adviser benefits from portfolio companies paying the fees and expenses generated in connection with unconsummated investments as the Adviser would otherwise be required to bear its share of such costs. The Adviser may agree with certain Funds to bear a portion of any fees or expenses associated with investments which are not consummated that are not paid by portfolio companies or prospective portfolio companies.

Certain Funds also reimburse the Adviser for their allocable portion (as determined by the Adviser in its good faith discretion) of expenses incurred by the Adviser or any of its affiliates (including compensation (including salary, bonus, payroll taxes and benefits) and other expenses of personnel employed by the Adviser or any such affiliate) to provide legal and tax services to such Fund; provided, that any such expenses shall not be greater than what would be paid to an unaffiliated third party for substantially similar services. Such allocations require judgments as to methodology that the Adviser makes in good faith but in its sole discretion. Any methodology chosen by the Adviser involves inherent conflicts of interest and could result in a greater expense to the Funds and portfolio companies than would be the case if such services were provided by third parties. While the Adviser may obtain benchmarking data regarding third party rates for similar services, relevant comparisons may not be available for a variety of reasons, including as a result of lack of a substantial market of providers or users for such service, confidentiality reasons and the bespoke nature of certain services. As a result, market comparisons may not (and often do not) result in precise comparable data for certain services.

In addition, the Adviser, from time to time, engages one or more fund administrators or similar service providers to perform certain functions in relation to the Funds, which services may include coordination of the Funds' legal entity management function, execution and recordkeeping associated with applicable tax elections and filings, support for investor correspondence, investor data management and reporting requests as well as data collection required for various regulatory reporting with which the Funds are required to comply. In certain instances, employees of such service providers dedicate substantially all of their time to the Funds. These expenses related to such service provider employees are borne by the Funds. If the fees and expenses of administrators involve, or are otherwise applicable to, multiple Funds or accounts sponsored by the Adviser, only that portion of the fees and expenses that are allocable to a given Fund, as determined by the Adviser, based on the size of the Fund or other relevant factors, will be allocated to such Fund.

From time to time, the general partner of a Fund creates certain "special purpose vehicles" or similar structuring vehicles for purposes of accommodating certain tax, legal and regulatory considerations of investors ("SPVs"). In the event the general partner creates an SPV, consistent with the Governing Documents of the Fund, the expenses related to its organization and formation

and other expenses incurred solely for the benefit of the SPV will typically be borne by the SPV, and indirectly, the investors thereof. In addition, expenses of the types borne by a Fund but associated with any feeder fund or similar vehicle organized to facilitate the participation of certain investors in the Fund (including, without limitation, expenses of accounting and tax services) may be borne by the Fund and indirectly, the investors thereof (even if such investors do not participate in any such feeder fund or similar vehicle).

#### *Co-Investment Vehicle Expenses*

In certain cases, a co-investment vehicle, or other similar vehicle established to facilitate the investment by investors to invest alongside the Fund may be formed in connection with the consummation of a transaction. While the investors in any co-investment vehicle established will typically bear all expenses related to its organization and formation and other expenses incurred solely for the benefit of such co-investment vehicle, in certain circumstances a Fund may bear such organizational and formation expenses, consistent with the Governing Documents of the relevant Fund. The co-investment vehicle will generally bear its pro rata portion of expenses incurred in the making an investment.

If a proposed transaction is not consummated, no such co-investment vehicle generally will have been formed, and the full amount of any expenses relating to such proposed but not consummated transaction (“Dead Deal Costs”) would therefore be borne, directly or indirectly, by the Fund or Funds selected by the Adviser as proposed investors for such proposed transaction. Furthermore, if a proposed transaction is not consummated and a co-investment vehicle has been formed for the purpose of making an investment in such proposed transaction (or co-investors have otherwise committed to invest in the proposed transactions), some or all of the Dead Deal Costs may be borne solely, directly or indirectly, by the Fund or Funds selected by the Adviser as proposed investors for such proposed transaction, but not by the co-investment vehicle or other co-investor(s) to which the co-investment opportunity was offered. Similarly, co-investment vehicles (and co-investors) are not typically allocated any share of break-up fees received in connection with such an unconsummated transaction. Dead Deal Costs may include, among other things, legal, accounting advisory, consulting or other third-party expenses (including amounts payable to Operations Support Partners (as defined in Item 11 below) and other third parties), any travel and travel-related expenses, all fees, costs and expenses of lenders, investment banks and other financing sources in connection with arranging financing for a proposed investments (including commitment fees), any break-up fees, reverse termination fees, topping, termination or other similar fees, extraordinary expenses such as litigation costs and judgments and other expenses, and any deposits or down payments of cash or other property which are forfeited in connection with a proposed investment that is not consummated.

In addition, the Adviser and its affiliates have discretion to (i) receive performance-based compensation, Advisory Fees or similar fees from co-investors and (ii) collect customary fees in connection with actual or contemplated investments that are the subject of co-investment arrangements.

### *Allocation of Expenses*

From time to time the General Partner will be required to decide whether certain fees, costs and expenses should be borne by a Fund, on the one hand, or the Adviser on the other hand, and/or whether certain fees, costs and expenses should be allocated between or among Funds and/or other parties. Certain expenses may be the obligation of one particular Fund and may be borne by such Fund or expenses may be allocated among multiple Funds and entities. In exercising its discretion to allocate investment opportunities and fees and expenses, the Adviser is faced with a variety of potential conflicts of interest. For example, in allocating an investment opportunity among Funds with differing fee, expense and compensation structures, the Adviser has an incentive to allocate investment opportunities to the Funds from which the Adviser or its related persons derive, directly or indirectly, a higher fee, compensation or other benefit. Such allocation determinations are inherently subjective and give rise to conflicts of interest due to the inherent biases in the process.

The Adviser allocates fees, costs and expenses in accordance with a Fund's Governing Documents. To the extent not allocated to a portfolio company, the Adviser will allocate fees and expenses incurred in the course of evaluating and making investments that are consummated between Funds in accordance with each Fund's Governing Documents or, to the extent not addressed in such Governing Documents, pro rata based on the respective total capital commitments of such Funds.

The appropriate allocation among Funds, Fund portfolio companies, co-investment vehicles, Adviser Investors and Third Parties of Dead Deal Costs will be set forth in the Governing Documents of the Fund or otherwise will be determined by the Adviser in its good faith discretion, consistent with the Governing Documents of the Funds, as applicable, and includes in certain circumstances allocating Dead Deal Costs to the next deal completed by a Fund. If multiple Funds evaluate a potential investment that is not consummated, the Adviser generally allocates, directly or indirectly, fees and expenses generated in the course of evaluating such investment among such Funds based on the anticipated investment of each Fund. There may be occasions when one Fund (the "Payor Fund") pays an expense common to multiple funds (the "Allocated Funds") (e.g., legal expenses for a transaction in which all such funds participate). On such occasions, each Allocated Fund will reimburse the Payor Fund for its share of such expense, without interest, promptly after the payment is made by the Payor Fund. In addition, there may be occasions where a Fund procures borrowing through a subscription line or credit facility in order to make an investment, syndicating out a portion of the investment to another Allocated Fund. Subject to the Governing Documents, the borrowing Fund will bear the entire cost of interest from the borrowing, even though the investment may ultimately be made by other Allocated Funds. Furthermore, while highly unlikely, it is possible that one of the Allocated Funds could default on its obligation to reimburse the Payor Fund.

With respect to allocating other expenses among Fund(s), Adviser Investors, co-investment vehicles, and/or co-investors (including Third Parties), as appropriate, to the extent not addressed in the Governing Documents of a Fund, the Adviser will make any such allocation determination on a fair and reasonable manner using its good faith judgment, notwithstanding its interest (if any) in the allocation. The Adviser will make any corrective allocations and take any mitigating steps if it determines such corrections are necessary or advisable. Notwithstanding the foregoing, the

portion of an expense allocated to a Fund for a particular service may not reflect the relative benefit derived by such Fund from that service in any particular instance.

The Adviser, from time to time, enters into arrangements with third-party advisers and consultants who provide services relating to deal-sourcing and investment opportunities, for which such advisers and consultants are paid compensation or other fees and/or are reimbursed for certain expenses. Any fees and expenses associated with such investment opportunities will be allocated to the applicable Fund(s), consistent with the allocation process described above.

### **Carried Interest Payments**

Please see Item 6 below regarding “Carried Interest” that certain Funds pay.

### **Brokerage Fees**

Although the Adviser does not generally utilize the services of broker-dealers to effect portfolio transactions for the Funds, in the event that it chooses to use a broker-dealer for limited purposes relating to a particular Fund, such Fund will incur brokerage and other transaction costs. For additional information regarding brokerage practices, please see Item 12 below.

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

With respect to certain Funds, a portion of the profits of each such Fund (if any) is allocated to the capital account of the Adviser as “carried interest” (the “Carried Interest”). Carried Interest paid by a Fund is indirectly borne by the investors in such Fund.

The payment by some, but not all, Funds of Carried Interest or the payment of Carried Interest at varying rates (including varying effective rates based on the past performance of a Fund) creates an incentive for the Adviser to disproportionately allocate time, services or functions to Funds paying Carried Interest (or Funds paying Carried Interest at a higher effective rate), or allocate investment opportunities to such Funds. Generally, and except as otherwise set forth in the Governing Documents of the Funds, this conflict is mitigated by (i) certain limitations on the ability of the Adviser to establish new investment funds, (ii) contractual provisions requiring certain Funds to purchase and sell investments contemporaneously and/or (iii) contractual provisions and procedures setting forth investment allocation requirements. Please also see Item 12 below regarding trade aggregation, as well as Item 11 below for additional information relating to how conflicts of interests are generally addressed by the Adviser.

## **Item 7. Types of Clients**

The Adviser currently provides investment supervisory services to the Funds. Investment advice is provided directly to the Funds and not individually to investors in such Fund.

Interests in the Funds are offered pursuant to applicable exemptions from registration under the Securities Act and the 1940 Act. Investors in most of the Funds are “qualified purchasers” or “knowledgeable employees”, in each case, as defined in the 1940 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.

The Adviser does not have a minimum size for a Fund, but minimum investment commitments may be established for investors in the Funds. The Adviser may in its sole discretion permit investments below the minimum amounts set forth in the Governing Documents of such Fund.

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

### **Methods of Analysis and Investment Strategies**

The Adviser's investment strategy is a value-based investment approach built on: targeting companies with complex operational and/or strategic challenges; employing rigorous analytics to identify proprietary and often contrarian insights that create the basis for an investment thesis; developing a clear plan to fundamentally improve a company's operations and increase its value; and an ability to make strategic and operational improvement happen by partnering with, incenting, supporting, and properly focusing management teams.

Important elements of the Adviser's investment approach are expected to include:

- *Middle-Market Focus.* The Adviser believes that the middle-market provides an attractive opportunity, where the Adviser has a competitive advantage in identifying companies where it can improve performance and increase value. The Adviser believes that the middle-market has many companies that are generally undermanaged, experiencing complexity, and/or have significant potential for improved performance.
- *Importance of Control.* The Adviser believes it is important to have the ability to make the decisions necessary to implement the business improvements core to the strategy. As a result, the Adviser will generally seek control and will generally not participate in "club" transactions where no one has control (though the Adviser may partner with another like-minded firm where the two firms together have control).
- *Complex/Contrarian Situations.* The Adviser seeks opportunities to buy good businesses at a value price, which often means there is industry, company, and/or transaction-level complexity that may render it difficult for other investors to access the opportunity, but which the Adviser believes it can navigate successfully. Such opportunities may include distressed companies/bankruptcies, corporate carve-outs, buildups, contrarian or out-of-favor industries, turnarounds, orphaned public companies, complicated founder transitions, and companies with non-traditional business models. These factors can result in fewer competitors vying for these target opportunities. In addition, challenged companies often have reduced access to debt, which in turn can allow for purchase at lower multiples, with less debt and less risk. The Adviser believes combining this attractive purchase dynamic with the potential upside from enhancing the business and the associated subsequent improved access to the credit markets (which can facilitate both an early return of capital and higher multiples on exit) can lead to significant return potential.
- *Rigorous Analytical Approach.* The Adviser believes that successfully targeting complex transactions requires gaining proprietary insights into how to resolve the issues a business is

facing prior to investing. Typically, these insights come about as the result of intensive, bottom-up analysis. This work provides the foundation for building a clear set of projections, as well as the risks and opportunities analysis. The Adviser will typically engage operating executives and outside consultants who it believes have deep experience in the relevant industry to assist in the analysis. These outside perspectives are intended to complement the Adviser's own knowledge and expertise, as well as insights it has derived from several standard analytical tools used to evaluate a company's potential.

- *Ability to Improve Operations.* The Adviser seeks to work with portfolio company management to develop detailed value creation plans for each investment, and actively support and monitor implementation of the plan. The Adviser understands the critical importance of strong management and seeks to recruit, partner with, and incentivize talented executives. In addition, the Adviser utilizes Operating Partners (as defined below)—individuals with deep operating and/or consulting expertise—to advise and support portfolio companies through board and advisory roles. The Adviser has built a network of Operating Partners that it expects will continue to expand and evolve. For further details regarding Operating Partners and a discussion of material conflicts of interest created by the engagement of such persons, please see “*Providers of Operations Support*” in Item 11 below.
- *Deep Vertical Knowledge.* The Adviser intends to focus on select verticals where it believes it has significant knowledge and/or strategic points of view. Such verticals include: financial services, healthcare, consumer, retail, industrials, technology and business services industries. Along with utilizing its own industry knowledge, the Adviser leverages operating executives and consultants to find and assess investment opportunities across multiple verticals, continually searching for new verticals and market niches that may be poorly understood and where it believes it can develop proprietary insights.
- *Wide Network.* The Adviser believes that its network of relationships provides differentiated access to deal flow and industry expertise. The Adviser's principals have close relationships with a wide range of transaction sources including: (i) the networks of the Adviser's principals from many years of professional activity across a wide range of industries; and (ii) the Adviser's extensive network of investment banks, commercial banks and other transaction intermediaries. The Adviser believes its business development is a strategic lever. The Adviser systematically manages its key networks and relationships of approximately 900 intermediaries through a highly-curated CRM database, utilizing technology to leverage the valuable networks that the Adviser has built. These networks and systems are a key asset of the Adviser, enabling business development to be a strategic lever. for the Funds. Accordingly, the Adviser has a dedicated Managing Director who leads (together with an experienced Director and two Vice Presidents) the Adviser's Capital Markets and Business Development efforts and whose job it is to maximize the Adviser's network of intermediaries and generate investment opportunities from lesser-known sources.
- *Cohesive Team.* The Adviser's leadership team has extensive experience working together to implement successfully the Adviser's strategy. The Adviser believes its experience provides a strong, shared point of view on both investment philosophy and firm culture. The Adviser prides itself on a culture emphasizing teamwork, collegiality and open communication. The Adviser has been able to attract talented staff, and it invests significantly in professional development and firm-wide “esprit de corps” in an effort to

ensure it retains its best people and enables them to rapidly develop and grow into increased levels of competence and responsibility.

- *Structuring Flexibility.* The Adviser believes it possesses extensive experience with a wide variety of transaction structures and security types that it uses to tailor solutions for individual investment opportunities. The Adviser's principals have participated in over 100 transaction closings, across a variety of transaction types, including but not limited to: leveraged control buyouts, corporate extractions/carve-outs, public-to-privates, recapitalizations, leveraged build-ups/consolidations, and investing in debt and public equities. The principals believe that this experience and the ability to create flexible investment structures across a wide variety of transaction types is a point of difference for the Adviser in the middle-market.

The Adviser intends to focus on control buyouts in the middle-market with expected transaction sizes that will generally range in enterprise value from \$50 million to \$300 million and have equity requirements of \$25 million to \$100 million. The Adviser plans to pursue a wide variety of transaction types, investment vehicles, and capital structures. On occasion, the Adviser will opportunistically make investments that are seemingly outside the investment criteria listed above but represent, after careful analysis, opportunistically a potentially good investment in the Adviser's opinion.

## **Risks**

Investing in securities involves a substantial degree of risk. A Fund may lose all or a substantial portion of the value of its investments, and investors in the Funds must be prepared to bear the risk of a complete loss of the value of their investments.

In addition, material risks relating to the investment strategies and methods of analysis described above, and to the types of securities typically purchased by or for the Funds, include (but are not limited to) the following:

- *Financial Market Fluctuations.* In recent years, U.S. and global financial markets and the broader current financial environment have been, and continue to be, characterized by uncertainty, volatility and instability. These financial market fluctuations have the tendency to reduce the availability of attractive investment opportunities for the Funds and may affect the value of the investments held by the Funds. Instability in the securities markets may also increase the risks inherent in the Funds' investments. There can be no assurance that the market will, in the future, become more liquid than it is at present and it may well continue to be volatile for the foreseeable future. The ability to realize investments depends not only on portfolio companies and their historical results and prospects, but also on political, market and economic conditions at the time of such realizations. The duration and ultimate effect of current market conditions and whether such conditions may worsen cannot be predicted. The ability of portfolio companies to refinance debt securities may depend on their ability to sell new securities in the public high-yield debt market or otherwise. A Fund's ability to generate attractive investment returns for its investors may be adversely affected to the extent the Fund is unable to obtain favorable financing terms for its investments. Moreover, to the extent that disruptions in the financial and capital markets occur, these events may have an adverse impact on the availability of credit to businesses generally and could lead to an overall

weakening of the U.S. and global economies. Such an economic downturn could adversely affect the financial resources of corporate borrowers in which a Fund has invested and result in the inability of such borrowers to make principal and interest payments on outstanding debt when due. In the event of such defaults, the Fund may suffer a partial or total loss of capital invested in such companies, which could, in turn, have an adverse effect on the Fund's returns. Such marketplace events also may restrict the ability of a Fund to sell or liquidate investments at favorable times or for favorable prices. Additionally, a Fund may be required to pay break-up, termination or other fees or expenses even if the Fund is willing to close on an investment if it is ultimately unable to close on such investment due to a lender's unwillingness to provide previously committed financing.

- *Risks in Effecting Operating Improvements.* In some cases, the success of the Adviser's investment strategy will depend, in part, on the ability and the effectiveness of the Adviser's efforts to improve the operating performance of portfolio companies following investment. Initiatives that may need to be taken in an effort to achieve improvements in operating performance include, among others, introductions of new products, changes in sales, marketing and distribution methods, implementation of new sourcing arrangements, reductions in manufacturing, overhead and other costs, enhancements and changes in the management team and identification, consummation and integration of add-on acquisitions. The proper identification and implementation of initiatives important to the achievement of improved operating performance is difficult and often requires substantial resources. The capabilities and resources of a portfolio company, even with the assistance of the Adviser, may be insufficient to effect such proper identification and implementation, and there can be no assurance that portfolio companies will be successful in achieving improvements in operating performance. The failure to achieve improved operating results following investment may lead to losses or poor returns on investments.
- *No Assurance of Investment Return.* The Adviser cannot provide assurance that it will be able to choose, make and realize investments in any particular company or portfolio of companies. There is no assurance that the Adviser will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the type of companies and transactions described herein. There can be no assurance that expected returns for a Fund will be achieved, or that a limited partner will receive a return of its capital. An investment in a Fund should only be considered by persons who can afford a loss of their entire investment.
- *Competition for Investments.* The business of identifying and structuring transactions of the nature contemplated by the Adviser is highly competitive and involves a high degree of uncertainty. A Fund will encounter competition from other entities having similar investment objectives. Potential competitors include other investment partnerships and corporations, strategic industry acquirers and other financial investors, including hedge funds, investing directly or through affiliates. Further, over the past several years, an ever-increasing number of private equity funds have been or are being formed (and many existing funds have grown in size). Additional funds with similar investment objectives may be formed in the future by other unrelated parties. Some of these competitors may have competitive advantages in pursuing investments, such as relevant experience, greater financial resources, a greater willingness to take on risk, different risk assessments, lower cost of capital, access to funding sources that are unavailable to a Fund, synergistic

opportunities, or more personnel than a Fund's general partner, the Adviser, a Fund and its affiliates. The Adviser expects that competition for appropriate investment opportunities may increase, which may also require a Fund to participate in auctions, the outcome of which cannot be guaranteed, thus reducing the number of investment opportunities available to a Fund and/or adversely affecting the terms upon which portfolio investments can be made. Participating in auctions will also increase the pressure on a Fund with respect to pricing of a transaction. For example, given the increasingly more competitive environment, the Adviser has found it more difficult to obtain buyer-favorable terms in a transaction, such as receiving an indemnification by the seller for a breach of representations or warranties, the ability to terminate a transaction if financing sources become unavailable or unwilling to fund, or the ability to terminate the transaction if there has been a material adverse change in the company's business prior to closing of the investment. In addition, the Adviser has found competitors for investment opportunities are willing to offer seller-favorable terms in a transaction, such as providing a "reverse break-up fee" and fund-level guarantees. In the event a financing-related closing condition is not available to a Fund or if a Fund is required to provide a reverse break-up fee or guarantee in connection with a potential investment, a Fund may become obligated to consummate a transaction on less favorable terms or may be required to fund the reverse break-up or similar fee in connection with a potential investment that is not made. There can be no assurance that a Fund will be able to locate, complete and exit investments which satisfy a Fund's rate of return objectives, or realize upon their values, or that it will be able to invest fully its committed capital. To the extent that a Fund encounters competition for investments, returns to limited partners may decrease.

- *Reliance on Portfolio Company Management Teams.* Each portfolio company's day-to-day operations will be the responsibility of such company's management team. Although a Fund's general partner will be responsible for monitoring the performance of each portfolio investment and a Fund seeks to invest in companies operated by strong management, there can be no assurance that the existing management team, or any successor, will be able to operate the portfolio company successfully. The success of many of the Adviser's portfolio companies is heavily dependent on the management of such companies. There can be no assurance that the management of a portfolio company on the date a portfolio investment is made will continue to be affiliated with the company throughout the period that the portfolio investment is held. In addition, a Fund's general partner will generally establish the capital structure of companies in which a Fund invests on the basis of financial projections for such companies. Projected operating results will normally be based primarily on the judgment of the management of the portfolio company. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic conditions, which are not predictable, can have a material adverse impact on the reliability of projections.
- *Risk of Investment Concentration.* The Funds may participate in a limited number of portfolio investments and, as a consequence, the aggregate return of the Funds may be substantially adversely affected by the unfavorable performance of any single investment. Moreover, since all of the Funds' investments cannot reasonably be expected to perform well or even return capital, for the Funds to achieve above-average returns, one or a few of its investments must perform very well. There can be no assurance that this will be the case. In

addition, other than as set forth in the Governing Documents, investors have no assurance as to the degree of diversification of a Fund's portfolio investments, either by geographic region, asset type or sector. In addition, a significant percentage of the aggregate amount of commitments may be invested in any one portfolio company at any one time. To the extent a Fund concentrates investments in a particular issuer, industry, security or geographic region, its investments will become more susceptible to fluctuations in value resulting from adverse economic to business conditions with respect thereto. Furthermore, a Fund will co-invest with other Funds and therefore, a number of investors are expected to have exposure to portfolio investments through more than one Fund. In circumstances where the general partner intends to refinance all or a portion of the capital invested in a transaction, there will be a risk that such refinancing may not be completed, which could lead to increased risk as a result of a Fund having an unintended long-term investment as to a portion of the amount invested and/or reduced diversification.

- *Investments in Restructurings.* The Adviser may invest the Funds' assets in restructurings that involve portfolio companies that are experiencing or are expected to experience financial difficulties. These financial difficulties may never be overcome and may cause such portfolio companies to become subject to bankruptcy proceedings. Such investments could, in certain circumstances, subject the Funds to certain additional potential liabilities that may exceed the value of the Funds' original investments therein. For example, under certain circumstances, a lender who has inappropriately exercised control over the management and policies of a debtor may have its claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments to the Funds and distribution by the Funds to the investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, preferential payment or similar transaction under applicable bankruptcy and insolvency laws. Furthermore, investments in restructurings may be adversely affected by local statutes relating to, among other things, fraudulent conveyances voidable preferences lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims.
- *Investments in Smaller or Less Established Companies.* The Adviser may invest a portion of the Funds' assets in the securities of smaller or less established companies. Portfolio investments in such smaller or less established companies may involve greater risks than generally are associated with investments in larger or more established companies. To the extent there is any public market for the securities held by the Funds, such securities may be subject to more abrupt and erratic market price movements than those of larger, more established companies. Smaller or less established companies tend to have lower capitalizations and fewer resources and, therefore, often are more vulnerable to financial failure. Such companies also may have shorter operating histories on which to judge future performance.
- *Non-U.S. Investments.* The Adviser may invest a portion of the Funds' aggregate commitments outside of the United States. Non-U.S. securities involve certain factors not typically associated with investing in U.S. securities, including risks relating to: (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various foreign currencies in which the Funds' foreign investments are denominated, and costs associated with conversion of investment principal and income

from one currency into another; (ii) differences between the U.S. and foreign securities markets, including potential price volatility in and relative liquidity of some foreign securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation; (iii) certain economic, social and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital, the risks of political, economic or social instability and the possibility of expropriation or confiscatory taxation or other changes in law; (iv) differences between U.S. and foreign market contract terms (e.g., foreign contracts do not typically include many of the closing conditions that are commonly found in U.S. contracts); (v) tax-related issues, including the possible imposition of withholding or other taxes (including on dividends, interest payments or capital gains) and double taxation of income earned overseas and including the possibility of investors being subject to tax on income earned by foreign companies even when no cash distributions are made by such foreign companies; (vi) less developed corporate laws regarding fiduciary duties and the protection of investors.; and (vii) the potential challenges to implementing the Adviser's strategy in non-U.S. investments due to greater difficulty in managing change and monitoring progress given potential differences in language, culture, business practices, market customs, and legal framework.

- *Public and Credit Investing.* The Governing Documents of certain Funds permit such Funds to make investments in (i) public equity securities, (ii) public and private debt securities, loans and other evidence of indebtedness, and (iii) swaps, options or other derivatives the value of which is based upon any item referred to in clause (i) or (ii) of this sentence. The amount of such investments may be substantial, although the Governing Documents of such Funds generally provide that no more than 25% of capital commitments may consist of investments in publicly traded securities (subject to certain exceptions) and derivatives of the type referred to in the immediately preceding sentence. The market for making investments of the type referred to in the first sentence of this paragraph is highly competitive, with many investors seeking such opportunities. Many such other investors have substantially greater relevant resources than the Adviser, including larger capital sources, more focused and extensive experience, and stronger networks for investment sourcing. To the extent a Fund makes investments in swaps or other derivatives, such Fund will be exposed to the credit risk of any counterparty to the derivative. Accordingly, even if the underlying investment generates attractive returns, such Fund may generate less attractive returns, or lose all or a portion of the capital it has exposed to such investment, if the counterparty becomes insolvent or otherwise fails to have the ability to pay. The focus of the investment experience of the Adviser and its investment professional staff to date has been on private equity investing and has not been on the types of investments referred to in the first sentence of this paragraph. In light of the factors set forth in this paragraph, there can be no assurance that a Fund will be successful in making such investments or that the returns from such investments will be comparable to the returns from other investments of such Fund.
- *Foreign Investment Controls.* Foreign investment in securities of companies in certain of the countries in which the Adviser may invest is restricted or controlled to varying degrees. These restrictions or controls may at times limit or preclude foreign investment above certain ownership levels or in certain sectors of the country's economy and increase the costs and expenses of the Funds. While regulation of foreign investment has liberalized in recent years

throughout much of the world, there can be no assurance that more restrictive regulations will not be adopted in the future. Some countries require governmental approval for the repatriation of investment income, capital or the proceeds of sales by foreign investors and foreign currency. The Funds could be adversely affected by delays in, or a refusal to grant, any required governmental approval for repatriation of capital interests and dividends paid on securities held by the Funds, and income on such securities or gains from the disposition of such securities may be subject to withholding taxes imposed by certain countries where the Funds invest or in other jurisdictions.

- *Investments with Third Parties.* The Adviser may cause the Funds to co-invest with third parties, thereby acquiring non-controlling interests in certain portfolio companies. The relevant Fund may not have control over these companies and, therefore, may have a limited ability to protect its position therein. Such portfolio investments may involve risks not present in portfolio investments where a third party is not involved, including the possibility that a third party partner or co-investor may have financial difficulties resulting in a negative impact on such portfolio investment, may have economic or business interests or goals which are inconsistent with those of the Adviser, or may be in a position to take action contrary to the Adviser's investment objectives. In addition, the Fund may in certain circumstances be liable for the actions of its third party partners or co-investors.
- *Minority Investments.* The Adviser may invest in minority positions of companies and in companies for which the Adviser has no right to exert significant influence. In such cases, the Adviser will be significantly reliant on the existing management and board of directors of such companies, which may include representatives of other investors with whom the Adviser is not affiliated and whose interests may conflict with the interests of the Adviser.
- *Use of Leverage.* While investing in leveraged companies offers the opportunity for capital appreciation, such investments also involve a higher degree of risk. The companies the Adviser invests in may involve varying degrees of leverage, as a result of which recessions, operating problems, and other general business and economic risks may have a more pronounced effect on the profitability or survival of such companies. Moreover, any rise in interest rates may significantly increase a portfolio company's interest expense, causing losses and/or the inability to service debt levels. If a portfolio company cannot generate adequate cash flow to meet debt obligations, the Funds may suffer a partial or total loss of capital invested in the portfolio company.
- *Bridge Financings.* From time to time, the Adviser may cause the Funds to lend to portfolio companies on a short-term, unsecured basis in anticipation of a future issuance of equity or long-term debt securities or other refinancing or syndication. Such bridge loans would typically be convertible into a more permanent, long-term security; however, for reasons not always within the Adviser's control, such long-term securities may not be issued and such bridge loans may remain outstanding. In such event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by the Funds. Such lending arrangements create conflicts of interest between the Funds, acting as lender, and the portfolio company, acting as borrower.
- *General Economic and Market Conditions.* The private equity industry generally and the success of the Adviser's investment activities will be affected by general economic and market conditions, as well as by changes in laws, currency exchange controls, and national



and international political and socioeconomic circumstances. A sustained downturn in the U.S. or global economy (or any particular segment thereof) could adversely affect the Funds' profitability, impede the ability of the Funds' portfolio companies to perform under or refinance their existing obligations, impair the Adviser's ability to effectively exit the portfolio investments of the Funds on favorable terms, and generally have a negative impact on the performance and value of the Funds' investments. Any of the foregoing events could result in substantial or total losses to the Funds in respect of certain portfolio investments, which losses will likely be exacerbated by the presence of leverage in a portfolio company's capital structure.

- *Long-Term Nature of Portfolio Investments.* It is anticipated there will be a significant period of time (generally up to five years or more) before the Funds have completed their investment programs. Portfolio investments typically may take from three to seven years (or longer) from the date of initial investment to reach a state of maturity when realization of the investment can be achieved. Transaction structures may not provide liquidity for the Funds' investment prior to that time. In light of the foregoing, it is likely that no significant return from the disposition of such Funds' investments will occur for a significant period of time after the first closing of the Funds.
- *Contingent Liabilities Upon Disposition.* In connection with the Adviser's disposition of a Fund's portfolio investments, the Fund may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of any business, and the Fund may be responsible for the content of disclosure documents under applicable securities laws. The Fund may also be required to indemnify the purchasers of such portfolio investment or underwriters to the extent that any such representations or disclosure documents turn out to be inaccurate. These arrangements may result in contingent liabilities, which shall be borne by the relevant Funds. The Adviser generally will establish reserves as appropriate to provide for such contingent liabilities. In the event that the amount of such contingent liabilities exceeds the reserves and other assets of the Fund, the investors of the Fund may be required to repay to the Fund or to pay to creditors of the Fund distributions previously received by them.
- *Adverse Consequences of Ownership of Controlling Interest in Portfolio Companies.* It is expected that the Funds will often own a controlling percentage of the common equity of portfolio companies which, depending upon the amount of equity owned by the applicable Fund, contractual arrangements between the portfolio company and the Fund, and other relevant factual circumstances, could result in an extension to one year of the 90-day bankruptcy preference period with respect to payments made to the relevant Fund. In addition, because of its equity ownership, representation on the board of directors and/or contractual rights, the Fund may often be thought to control, participate in the management of or influence the conduct of portfolio companies. These factors could expose the assets of the Funds to claims by a portfolio company, its other security holders, its creditors or governmental agencies.
- *Third Party Involvement.* The Funds may co-invest with third-parties through partnerships, joint ventures or other entities. Such investments may involve risks not present in investments where a third-party is not involved, including the possibility that a third-party co-venturer or partner may at any time have economic or business interests or goals which

are inconsistent with those of the Funds, or may be in a position to take action contrary to the investment objective of the Funds. In addition, the Funds may in certain circumstances be liable for actions of its third-party co-venturer or partner.

- *Formation of Successor Funds.* The Adviser may, subject to restrictions included in the Governing Documents of certain Funds, organize or manage additional investment funds providing equity financing for leveraged acquisitions which may be competitive with the Funds, and there can be no assurance that the creation of such additional funds will not give rise to conflicts of interest between the investors of the respective funds.
- *Hedging Policies/Risks.* In connection with the financing of certain portfolio investments, the Adviser may employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices and currency exchange. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks. Thus, while the Funds may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices, or currency exchange rates may result in a poorer overall performance for the Funds than if they had not entered into such hedging transactions.
- *Management Fee Payable Regardless of Performance.* Generally, the Advisory Fees are required to be paid to the Adviser even if the Funds experience net losses in a particular year or over the term of the Funds.
- *Mandatory Withdrawal.* The Adviser generally has the authority under the Governing Documents to permit or require an investor to withdraw from a Fund if the Adviser determines that the continued participation in the Funds of such investor could materially adversely affect such Fund (for example, by causing the Funds to be registered as an investment company under the 1940 Act, or causing the Fund's assets to be treated as "plan assets" under the U.S. the Employee Retirement Income Security Act of 1974, as amended ("ERISA")). The Funds may be required to liquidate investments in order to facilitate withdrawals. A reduction in the size of the Funds could result in greater concentration in a fewer number of investments.
- *Valuation of Assets.* There is no actively traded market for most of the securities owned by the Funds. When estimating fair value, the Adviser will apply a methodology based on its best judgment that is appropriate in light of the nature, facts and circumstance of the investments. Valuations are subject to multiple levels of review for approval and ensuring that portfolio investments are fairly valued is an important focus of the Adviser. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and differs from the prices at which such securities may ultimately be sold. Third-party pricing information may at times not be available regarding certain of a Fund's assets. With respect to the Funds, the exercise of discretion in valuation by the Adviser gives rise to conflicts of interest, as valuations (including, for instance, determination of when an investment should be written down or written off) impact the Adviser's track record. Also, the performance allocation in certain Funds is calculated based, in part, on these valuations and such valuations may affect the amount and timing of performance fees and the calculation of Advisory Fees.

- *Need for Follow-On Investments.* Following its initial investment in a given portfolio company, a Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a portfolio company. There is no assurance that such Fund will make follow-on investments or that such Fund will have sufficient funds to make all or any of such investments. Any decision by a Fund not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment, may result in a lost opportunity for such Fund to increase its participation in a successful operation, may result in the Fund's investment in the relevant portfolio company becoming diluted and, in circumstances where the follow-on investment is offered at a discount to market value, may result in a loss of value for the Fund.
- *Material Non-Public Information.* By reason of their responsibilities in connection with their other activities, the Adviser (or its professionals or employees) may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. In addition, the information provided to investors by the Funds may include material non-public information about portfolio companies. The Funds will not be free to act upon any such material non-public information that they acquire, and investors may be restricted in their ability to buy or sell securities or bank debt of companies about which they have received material non-public information. Due to these restrictions, the Funds and investors may not be able to initiate a transaction that they otherwise might have initiated and may not be able to sell an investment that they otherwise might have sold.
- *Illiquid and Long-Term Investments.* Investment in the Funds requires a long-term commitment with no certainty of return. There most likely will be little or no near-term cash flow available to the investors. Many of the investments will be highly illiquid and there can be no assurance that the Funds will be able to realize returns on such investments in a timely manner. Consequently, dispositions of such investments may require a lengthy time period or may result in distributions in kind to the investors. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the investment in a portfolio company is made. The Funds will generally acquire securities that cannot be sold except pursuant to a registration statement filed under the Securities Act, or in a private placement or other transaction exempt from registration under the Securities Act. In some cases, the Funds may be prohibited by contract from selling certain securities for a period of time. Even where the Funds hold freely tradable publicly traded securities, the Funds' positions may represent a significant portion of the outstanding public float of a particular company, creating a degree of illiquidity when the Funds wish to dispose of or reduce their position in such company by selling shares into the market.
- *Assumption of Contingent Liabilities.* In connection with an investment, a Fund may assume, or acquire a portfolio company subject to, contingent liabilities. These liabilities may be material and may include liabilities associated with pending litigation, regulatory investigations, environmental actions, or payment of indebtedness among other things. To the extent these liabilities are realized, they may materially adversely affect the value of a portfolio company. In addition, if a Fund has assumed or guaranteed these liabilities, the obligation would be payable from the assets of such Fund, including the remaining commitments of investors.

- *U.S. Dollar Denomination of Interests; Foreign Currency and Exchange Rate Risks.* Interests are denominated in U.S. dollars. Investors subscribing for interests in a Fund in any country in which U.S. dollars are not the local currency should note that changes in the rate 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 investor. There may be foreign exchange regulations applicable to investments in foreign currencies in certain jurisdictions. In addition, the Funds' assets generally will be denominated in the currency of the jurisdiction in which the assets are located. Consequently, the return realized on any investment by investors whose functional currency is not the currency of the jurisdiction in which the assets are located may be adversely affected by movements in currency exchange rates, costs of conversion and exchange control regulations, in addition to the performance of the investment itself. The Funds may also incur costs when converting one currency into another. Each prospective investor should consult with his or her own counsel and advisors as to all legal, tax, financial and related matters concerning an investment in the interests of a Fund.
- *Legal, Tax and Regulatory Risks.* Legal, tax and regulatory changes could occur during the term of a Fund that may adversely affect such Fund, its portfolio companies or investors. For example, from time to time the market for private equity transactions has been adversely affected by a decrease in the availability of senior and subordinated financing for transactions, in part in response to regulatory pressures on providers of financing to reduce or eliminate their exposure to such transactions. The Funds may invest in portfolio companies that operate in a highly regulated environment and are subject to extensive legal and regulatory restrictions and limitations and to supervision, examination and enforcement by regulatory authorities. New and existing regulations and burdens of regulatory compliance may directly impact the business and results of operations of, or otherwise have a material adverse effect on, portfolio companies that are subject to regulation. Failure to comply with any of these laws, rules or regulations, some of which are subject to interpretation and may be subject to change, could result in a variety of adverse consequences, including civil penalties and fines, which may have material adverse effects. Additionally, foreign investment in securities of companies in certain of the countries in which the Funds may invest is restricted or controlled to varying degrees. These restrictions or controls may at times limit or preclude foreign investment above certain ownership levels or in certain sectors of the country's economy and increase the costs and expenses of the Funds. While regulation of foreign investment has liberalized in recent years throughout much of the world, there can be no assurance that more restrictive regulations will not be adopted in the future. Some countries require governmental approval for the repatriation of investment income, capital or the proceeds of sales by foreign investors and foreign currency. A Fund could be adversely affected by delays in, or a refusal to grant, any required governmental approval for repatriation of capital interests and dividends paid on securities held by such Fund, and income on such securities or gains from the disposition of such securities may be subject to withholding taxes imposed by certain countries where such Fund invests or in other jurisdictions.
- *Tax Reform Risks.* A broad-based reform of the Internal Revenue Code of 1986, as amended (the "Code") was signed into law on December 22, 2017 (the "Tax Act") and legislation known as the "Coronavirus Aid, Relief and, Economic Security Act" (the "CARES Act")

was enacted in March 2020. Despite proposed and in some cases finalized regulations on certain aspects of these laws, there are significant uncertainties regarding the interpretation and application of the Tax Act and the CARES Act. While additional guidance is expected, the timing, scope and content of such guidance are not known. Changes to the Code and any further changes in tax laws or interpretation of such laws may be adverse to the Funds and their investors. For example, the Tax Act subjects Carried Interest and gain on the sales of profits interests in certain partnerships realized in taxable years beginning after December 31, 2017 to higher rates of U.S. federal income tax than under prior law in certain circumstances. These changes could cause the Adviser's investment professionals to incur a material increase in their tax liability with respect to their entitlement to Carried Interest. This might make it more difficult for the Adviser to incentivize, attract and retain these professionals, which may have an adverse effect on the Adviser's ability to achieve the investment objectives of the Funds. In addition, this can create a conflict of interest as the tax position of the Adviser may differ from the tax positions of the Funds and/or the investors and therefore, these rules have an additional impact on the investment decisions made on behalf of the Funds, including with respect to decisions on the timing and structure of investments and dispositions and whether to pursue other realization events during the holding period of an investment such as non-liquidating distributions. For example, the Tax Act gives the Adviser an incentive to cause a Fund to hold an investment for longer than three years in order to obtain lower tax rates on Carried Interest gains even if there are attractive realization opportunities earlier than three years. The Tax Act also creates the incentive for the Adviser to waive receipt of such Carried Interest and recoup such amount from subsequent liquidity events at potentially lower tax rates than the tax rates borne by the Fund's investors with respect to the earlier distributions.

- *United Kingdom Exit from the European Union.* The United Kingdom (the "UK") left the European Union (the "EU") on January 31, 2020 (commonly referred to as "Brexit"). During an 11 month transition period, the UK and the EU agreed to a Trade and Cooperation Agreement which sets out the agreement for certain parts of the future relationship between the EU and the UK from January 1, 2021. The Trade and Cooperation Agreement does not provide the UK with the same level of rights or access to all goods and services in the EU as the UK previously maintained as a member of the EU and during the transition period. In particular the Trade and Cooperation Agreement does not include an agreement on financial services which is yet to be agreed. Accordingly, uncertainty remains in certain areas as to the future relationship between the UK and the EU. From January 1, 2021, EU laws ceased to apply in the UK. However, many EU laws have been transposed into English law and these transposed laws will continue to apply until such time that they are repealed, replaced or amended. Depending on the terms of any future agreement between the EU and the UK on financial services, substantial amendments to English law may occur, and it is impossible to predict the consequences on the Funds and their investments. Such changes could be materially detrimental to investors. The uncertainty caused by the UK's departure from the EU could lead to prolonged political, legal, regulatory, tax and economic uncertainty and wider instability and volatility in the financial markets of the UK and more broadly across Europe. It may also lead to weakening corporate and financial confidence in such markets as the UK renegotiates the regulation of the provision of financial services within and to persons in the EU. Brexit could lead to market dislocation, heightened counterparty risk, an adverse effect on the management of market risk and, in particular, asset and liability management

due in part to redenomination of financial assets and liabilities, an adverse effect on the ability of the Adviser, the general partners and their affiliates to manage, operate and invest in the Funds and increased legal, regulatory or compliance burden for the Adviser, the general partners of the Funds, their affiliates and/or each Fund, each of which may have a negative impact on the operations, financial condition, returns or prospects of each Fund.

- *LIBOR Replacement and Other Reference Rates Risk.* The Funds' payment obligations, financing terms and investments in debt securities and derivatives may be tied to floating rates, such as the London Interbank Offered Rate ("LIBOR"). LIBOR is the offered rate for short-term Eurodollar deposits between major international banks. In 2017, the UK Financial Conduct Authority ("FCA") announced the FCA's intention to cease compelling banks to provide the quotations needed to sustain LIBOR from the end of 2021. On March 5, 2021, the FCA and LIBOR's administrator, ICE Benchmark Administration (IBA), announced that most LIBOR settings will no longer be published after the end of 2021 and a majority of U.S. dollar LIBOR settings will no longer be published after June 30, 2023. It is possible that the FCA may compel the IBA to publish a subset of LIBOR settings after these dates on a "synthetic" basis, but any such publications would be considered non-representative of the underlying market. Actions by regulators have resulted in the establishment of alternative reference rates to LIBOR in most major currencies. Various financial industry groups have been planning for transition away from LIBOR, but there are obstacles to converting certain securities and transactions to new reference rates. Markets are developing slowly and questions around liquidity in these rates and how to appropriately adjust these rates to mitigate any economic value transfer at the time of transition remain a significant concern. It is difficult to predict the full impact of the transition away from LIBOR on the Funds. The transition process may involve, among other things, increased volatility or illiquidity in markets for instruments that currently rely on LIBOR. The transition may also result in a reduction in the value of certain LIBOR-based investments held by the Funds or reduce the effectiveness of related transactions such as hedges. Any such effects of the transition away from LIBOR, as well as other unforeseen effects, could adversely impact the performance of the Funds. Since the usefulness of LIBOR as a benchmark could also deteriorate during the transition period, effects could occur prior to the end of 2021.
- *Investments Longer than Term.* A Fund may make investments that may not be advantageously disposed of, or have liabilities that may not be resolved, prior to the date that such Fund will be dissolved, either by expiration of such Fund's term or otherwise. Although the Adviser expects that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution and the general partner of each Fund generally has a limited ability to extend the term of such Fund, the Fund may have to sell, distribute or otherwise dispose of investments or resolve litigation or other contingent liabilities at a disadvantageous time as a result of dissolution. The general partner of such Fund will be required to use its best efforts to reduce to cash and cash equivalents such assets of the Fund as the general partner shall deem it advisable to sell, subject to obtaining fair value for such assets and any tax or other legal considerations, upon the dissolution of the Fund. There can be no assurances, however, with respect to the time frame in which the winding up and the final distribution of proceeds to the investors will occur.
- *Portfolio Company Pension Liability and Other Considerations.* As a result of their equity ownership representation on the board of directors and/or contractual rights, the Funds may

be deemed to control, participate in the management of or influence the conduct of one or more portfolio companies. This could expose the assets of a Fund to claims by a portfolio company, its other security holders, its creditors or governmental agencies. In addition, if a Fund holds 80% or more of the interests in a portfolio company and the Fund is found to be a “trade or business” under ERISA, a court could find that the Fund is jointly and severally liable with the portfolio company for any withdrawal liability with respect to a multiemployer pension plan which the portfolio company withdraws or is deemed to withdraw from. There is also a risk that the Funds could be deemed to be part of a “partnership-in-fact” with certain co-investors based on joint investment and other activities. This is currently an unsettled area of law, which is subject to recent litigation in the First Circuit Court of Appeals, and ongoing litigation in the district courts, and significant questions remain regarding the potential application of these theories to similar factual situations. If a Fund were to be deemed a “trade or business” with the requisite level of ownership of an investment, either alone or in concert with other investors, the Fund could face liability with respect to the pension plans of its portfolio companies. In addition, it is possible that a court could expand this theory to cause multiple portfolio companies of the Funds to be treated as a controlled group or under common control, and thereby be liable for these funding obligations.

- *Possibility of Fraud and Other Misconduct of Employees and Service Providers.* Misconduct by employees of the Adviser, service providers to the Adviser or the Funds and/or their respective affiliates could cause significant losses to such Funds. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by such Funds, the improper use or disclosure of confidential or material non-public information, which could result in litigation, regulatory enforcement or serious financial harm, including limiting the business prospects or future marketing activities of such Funds and noncompliance with applicable laws or regulations and the concealing of any of the foregoing. Such activities may result in reputational damage, litigation, business disruption and/or financial losses to such Funds. The Adviser has controls and procedures through which they seek to minimize the risk of such misconduct occurring. However, no assurances can be given that the Adviser will be able to identify or prevent such misconduct.
- *Market Disruption, Health Crises, Terrorism, and Geopolitical Risk.* A Fund is subject to the risk that war, terrorism, global health crises or similar pandemics, other related geopolitical events, extreme weather and climate-related events, and other events affecting the financial markets may lead to increased short-term market volatility and have adverse long-term effects on world economies and markets generally, as well as adverse effects on issuers of securities and the value of a Fund’s investments. War, terrorism, and related geopolitical events, as well as global health crises and similar pandemics, extreme weather and climate-related events, and other events affecting the financial markets have led, and in the future may lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally. Those events as well as other changes in world economic, political, and health conditions also could adversely affect individual issuers or related groups of issuers, securities markets, interest rates, credit ratings, inflation, investor sentiment, and other factors affecting the value of a Fund’s investments. At such times, a Fund’s exposure to a number of other risks described elsewhere in this

section can increase. In addition, the United States and governments globally have seen a rise in populist and nationalist tendencies, with political parties espousing such themes gaining strength in local and national elections. Increased focus and scrutiny of globally operating organizations may adversely affect the Funds and their investment activities. Moreover, certain current events and resulting movements (including protests) have caused social unrest in the United States and in other parts of the world. At times, such movements have been accompanied by violence and looting which has seen certain businesses suffer physical damage and economic loss. In addition, such movements have seen certain businesses become subject to adverse publicity and heightened scrutiny as a result of historical action or inaction. To the extent that the Funds invest in portfolio companies who are impacted by such social unrest, physical damage and economic loss or the threat thereof (e.g., in the retail sector), there could be a material adverse impact on the Funds and their investments. Additionally, the Funds or their portfolio companies may be affected by force majeure events such as events beyond the control of the party claiming that the event has occurred including, without limitation, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism and labor strikes. Some force majeure events may adversely affect the ability of a party, including the Funds, a portfolio company or a counterparty to a Fund or a portfolio company to perform its obligations until it is able to remedy the force majeure event. In certain circumstances, a Fund or a portfolio company of a Fund may be a party to a contract which does not provide a remedy in favor of a Fund or such portfolio company if a force majeure event occurs. In this event, such Fund or such portfolio company may be required to continue to comply with its obligations (including, but not limited to, payment or performance of its obligations) under the contract even though it may not receive some or all of the benefits it is entitled to under such contract. Such a circumstance may cause such Fund or such portfolio company to suffer economic loss, and such loss may be exaggerated if a force majeure event subsists for an extended period of time. In addition, the cost to a portfolio company or the Funds of repairing or replacing damaged assets resulting from such force majeure event could be considerable. Certain force majeure events such as war or an outbreak of an infectious disease could have broader negative impact on the world economy and international business activity generally or in any of the countries in which the Funds have invested. A resulting negative impact on economic fundamentals and consumer confidence may increase the risk of default of particular investments, negatively impact market value, increase market volatility and cause credit spreads to widen and reduce liquidity, all of which could have a material adverse effect on the performance of the Funds' investments, returns and the ability of the Funds to make and/or dispose of investments. No assurance can be given as to the effect of these events on the value of, or markets for, investments, or the Funds or a portfolio company's ability to recover therefrom.

- *Enhanced Scrutiny and Regulation of the Private Equity and Financial Services Industries.* The Funds' ability to achieve their investment objectives, as well as the ability of the Adviser to conduct its operations, is based on laws and regulations which are subject to change through legislative, judicial or administrative action and could be adversely affected by future legislative, judicial or administrative action.

There has been significant discussion recently regarding enhanced governmental scrutiny and increased regulation of the private investment fund and financial services industries. In the aftermath of the global financial crisis in 2008, there have been unprecedented legislative



and regulatory actions taken by numerous governments and their agencies. This enhanced oversight and regulation, and the need for significant additional rule-making by various governmental bodies, has created uncertainty in the financial markets, including the private fund industry. Many of the regulators to which the Funds, the Adviser or its affiliates are expected to be subject globally, including governmental agencies and self-regulatory organizations, are empowered to conduct investigations and administrative proceedings that can result in fines, suspensions of personnel or other sanctions, including censure, the issuance of cease-and-desist orders or the suspension or expulsion of applicable licenses or members. Even if an investigation or proceeding did not result in a sanction or the sanction imposed against the Funds, the Adviser or its affiliates were small in monetary amount, the adverse publicity relating to the investigation, proceeding or imposition of these sanctions could harm the Funds, the Adviser or its affiliates' reputations, which may adversely affect the Funds' investment performance by hindering its ability to obtain favorable financing or consummate a potentially profitable investment.

In the United States, the Dodd-Frank Act, which was enacted in 2010, significantly revises and expands the rulemaking, supervisory and enforcement authority of U.S. federal bank, securities and commodities regulators. It is unclear how these regulators will exercise these revised and expanded powers and the extent to which their rulemaking, supervisory or enforcement actions will adversely affect the Funds. A key feature of the Dodd-Frank Act is the extension of prudential regulation by the Board of Governors of the Federal Reserve System (the "Federal Reserve") to financial institutions that are not currently subject to such regulation but that potentially pose risk to the financial system. The Dodd-Frank Act also imposes a number of restrictions on the relationship and activities of banking organizations with private equity and hedge funds and other provisions that will affect the alternative asset management industry, either directly or indirectly. While it may be some time until the Dodd-Frank Act reforms are broadly implemented and the direct and indirect impact of this legislation is fully understood, it is clear that most advisors to private equity funds, as well as most hedge funds and other private pools of capital, are affected. The Dodd-Frank Act, as well as future related legislation, may have an adverse effect on the alternative asset management industry generally and on the Adviser or the Funds, specifically.

The regulatory environment for private investment funds is evolving, and changes in the regulation of private investment funds may adversely affect the value of investments held by the Funds and the ability of the Funds to effectively employ their investment strategy. Increased scrutiny and potential legislation applicable to private investment funds and their sponsors may also impose significant administrative burdens on the Adviser and may divert time and attention from portfolio management activities. In addition to, and in particular in light of, the changing global regulatory climate, the Adviser and/or the Funds may be required to register under certain foreign laws and regulations, and need to engage distributors or other agents in certain non-U.S. jurisdictions in order to market interests to potential investors. The effect of any future regulatory change(s) on the Funds could be substantial and adverse.

- *Governmental Intervention.* Disruptions in the global financial markets at times have led to governmental intervention. Such intervention has in certain cases been implemented on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In

addition, these interventions have typically, for sometimes prolonged periods, been unclear in scope and application, resulting in confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies. If governmental intervention programs are then unwound, there could be further uncertainty and adverse effects on the markets. It is impossible to predict what interim or permanent governmental restrictions (or easing of restrictions) may be imposed on the markets during a Fund's term or the effect of such restrictions on a Fund's strategies.

- *Operational and Cybersecurity Risks.* Operating companies are increasingly interrelated and depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks such as cyber-attacks, breaches or failures including, among other things, the corruption of data maintained online, denial of services attacks on websites, and disruptions due to environmental or man-made disasters. To the extent that a portfolio company is subject to cyber-attack or other unauthorized access is gained to a portfolio company's systems, such portfolio company may be subject to substantial losses in the form of stolen, lost or corrupted: (i) client data or payment information; (ii) client or portfolio company financial information; (iii) portfolio company software, contact lists or other databases; (iv) portfolio company proprietary information or trade secrets; or (v) other items. In certain events, a portfolio company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Any such operational and cybersecurity incidents could subject a portfolio company, and therefore the relevant Fund, to substantial losses. In addition, the Adviser, the Funds' service providers, and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the Funds and their investors, despite the efforts of the Adviser and the Funds' service providers to adopt technologies, processes, and practices intended to mitigate these risks and protect the security of their computer systems, software, networks, and other technology assets, as well as the confidentiality, integrity, and availability of information belonging to the Fund and its investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of or prevent access to these systems of the Adviser, the Funds' service providers, counterparties or the data within these systems. Third parties may also attempt to fraudulently induce personnel, clients, third party service providers or other users of the Adviser's systems to disclose sensitive information in order to gain access to the Adviser's data or that of the Funds' investors. A successful penetration or circumvention of the security of the Adviser's systems by unauthorized third parties could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Power or communications outages, extreme weather events, acts of god, information technology equipment malfunctions, operational errors, and inaccuracies within software or data processing systems may also disrupt business operations of a Fund, the Adviser, a portfolio company or their service providers or impact critical data. Such cybersecurity and operational incidents could cause the Funds, the Adviser or their service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss. The Adviser utilizes multi-factor authentication ("MFA") across all

supported external platforms by way of a mobile phone process. In addition, the Adviser may incur substantial costs related to forensic analysis of the origin and scope of a cybersecurity breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, adverse investor reaction or litigation.

- *Privacy and Data Protection Risk.* The Adviser and the Funds' portfolio companies will process personal information, including by storing and maintaining personal data related to their respective members, affiliates, employees and representatives, natural person investors, service provider representatives, customers and others. Such processing of personal information, which may also include the use of third-party processors and cloud-based services, will impose legal, operational and regulatory risks on the Adviser and the Funds' portfolio companies. In recent years, there has been an increase in legal requirements relating to the collection, storage, use and transfer of personal information, and the legal framework around such matters is expected to continue to develop at both the international and state level. Certain activities of the Adviser, the Funds' portfolio companies and/or their respective affiliates may, for example, be subject to the California Consumer Privacy Act or the Cayman Data Protection Law and other foreign, federal and state privacy laws such as the EU's General Data Protection Regulation. The Adviser and/or its affiliates may not be able to accurately anticipate the ways in which regulators and courts will apply or interpret the law, and implementation, interpretation or application of privacy and data protection laws in a manner inconsistent with the Adviser's expectations may adversely affect the Funds. For example, the failure of the Adviser, or one or more of its affiliates providing services to a Fund, to comply with privacy and data protection laws could result in negative publicity, operational disruptions, and may subject such Fund to significant costs associated with litigation, settlements, regulatory action, judgments, liabilities or penalties and mandatory remediation. The same risks will apply to Fund portfolio companies that fail to comply with privacy and data protection laws. If the Adviser, a Fund portfolio company or one or more of their respective affiliates uses or discloses information improperly or suffers a security breach impacting personal information, they may be obligated to notify government authorities, stakeholders or individuals affected, which may divert the Adviser, its affiliates' and portfolio company management's time and effort and entail operational disruptions, loss of market confidence and goodwill and substantial expense, particularly if any litigation or enforcement action or mandatory remediation were to also arise out of such breach.
- *Environmental, Social and Governance Matters.* While ESG is only one of the many factors the Adviser will consider in making an investment, there is no guarantee that the Adviser will successfully implement and make investments in companies that creates positive environmental, social or governance ("ESG") impact while enhancing long-term shareholder value and achieving financial returns. To the extent that the Adviser engages with companies 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 the Adviser will depend on the Adviser'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 qualities when evaluating an investment may result in the selection or exclusion of certain investments based on the

Adviser's view of certain ESG-related and other factors, carries the risk that the Adviser may underperform funds that do not take ESG-related factors into account because the market may ultimately have a different view of a particular company's performance than that anticipated by the Adviser.

Consideration of ESG factors may affect the Adviser's exposure to certain companies, sectors, regions, countries or types of investments, which could negatively impact the Adviser's performance depending on whether such investments are in or out of favor. Applying impact investing goals to investment decisions is qualitative and subjective by nature, and there is no guarantee that the criteria utilized by the Adviser or any judgment exercised by the Adviser will reflect the beliefs or values of any particular investor. In evaluating a company, the Adviser is dependent upon information and data obtained through voluntary or third-party reporting that may be incomplete, inaccurate or unavailable, which could cause the Adviser to incorrectly assess a 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 company's ESG-related practices or the Adviser's assessment of such practices may change over time.

- *Coronavirus Outbreak Risks.* The global outbreak of the 2019 novel coronavirus ("COVID-19"), together with resulting voluntary and U.S. federal and state and non-U.S. governmental actions, including, without limitation, mandatory business closures, public gathering limitations, restrictions on travel and quarantines, has meaningfully disrupted the global economy and markets. COVID-19 has and is expected to continue to have ongoing material adverse effects across many, if not all, aspects of the regional, national and global economy. In particular, the COVID-19 outbreak has already, and will continue to, adversely affect the Funds' investments and the industries in which they operate. Furthermore, the Adviser's ability to operate effectively, including the ability of its personnel or its service providers and other contractors to function, communicate and travel to the extent necessary to carry out the Funds' investment strategies and objectives and the Adviser's business and to satisfy its obligations to the Funds, their investors, and pursuant to applicable law, has been, and will continue to be, impaired. The spread of COVID-19 among the Adviser's personnel and its service providers would also significantly affect the Adviser's ability to properly oversee the affairs of the Funds (particularly to the extent such impacted personnel include key investment professionals or other members of senior management), which could result in a temporary or permanent suspension of a Fund's investment activities or operations. The full effects, duration and costs of the COVID-19 pandemic are impossible to predict, and the circumstances surrounding the COVID-19 pandemic will continue to evolve.

#### **Item 9. Disciplinary Information**

Item 9 is not applicable to the Adviser.

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

Item 10 is not applicable to the Adviser.

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

### **Code of Ethics**

The Adviser has adopted a written Code of Ethics that is applicable to every managing director, principal, partner, officer, employee and certain other personnel of the Adviser (collectively, “Adviser Personnel”). The Code of Ethics, which is designed to comply with Rule 204A-1 under the Advisers Act, establishes guidelines for professional conduct and personal trading procedures, including certain pre-clearance and reporting obligations. Adviser Personnel and their families and households will from time to time purchase certain investments for their own accounts, including the same investments purchased or sold for a Fund, subject to the terms of the Code of Ethics. Under the Code of Ethics, Adviser Personnel are also required to file certain periodic reports with the Adviser’s Chief Compliance Officer (the “CCO”) as required by Rule 204A-1 under the Advisers Act. The Code of Ethics helps the Adviser detect and prevent potential conflicts of interest.

Adviser Personnel who violate the Code of Ethics may be subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, demotion, suspension or dismissal. Adviser Personnel are also required to promptly report any violation of the Code of Ethics of which they become aware. Adviser Personnel are required to annually certify compliance with the Code of Ethics.

A copy of the Code of Ethics is available to any client or prospective client upon written request to: Jennifer Mello, Chief Compliance Officer, Altamont Capital Partners, 400 Hamilton Avenue, Suite 230, Palo Alto, CA 94301.

### **Participation or Interest in Client Transactions**

The Adviser and certain employees and affiliates of the Adviser invest in and alongside the Funds as direct or indirect investors in the Funds or otherwise. A Fund or the Adviser, as applicable, typically will reduce all or a portion of the Advisory Fee and Carried Interest related to investments held by such persons. For further details regarding these arrangements, as well as conflicts of interest presented by them, please see “Conflicts of Interest” immediately below.

Due in part to the fact that potential investors in a Fund (including potential investors in a co-investment vehicle or purchasers of an investor’s interest in a secondary transaction) or a co-investment opportunity (see below) may ask different questions and request different information, the Adviser in certain circumstances provides certain information to one or more prospective investors that it does not provide to all of the prospective investors.

### **Conflicts of Interest**

The Adviser and its related entities engage in a broad range of activities, including investment activities for their own account and for the account of other investment funds, and providing transaction-related, investment advisory, management and other services to funds and operating

companies. In the ordinary course of conducting its activities, the interests of a Fund will, from time to time conflict with the interests of the Adviser, other Funds, co-investment vehicles or their respective affiliates. Certain of these conflicts of interest, as well a description of how the Adviser addresses such conflicts of interest, can be found below.

The Adviser has in the past and may, from time to time in the future, establish certain Funds through which Adviser Investors or other third parties may invest alongside one or more Funds in one or more investment opportunities. Such vehicles, referred to herein as “co-investment vehicles,” are generally not permitted to dispose of any equity co-investment with a Fund prior to that Fund, and any contemporaneous disposition of any such investment is generally required to be on substantially identical economic terms as those afforded the Funds that are invested in that investment opportunity and in the same proportions to the amount invested. Such co-investment vehicles typically will not pay Advisory Fees or Carried Interest.

### *Resolution of Conflicts*

In the case of all conflicts of interest, the Adviser’s determination as to which factors are relevant, and the resolution of such conflicts, will be made using the Adviser’s best judgment, but in its sole discretion. In resolving conflicts, the Adviser considers various factors, including the interests of the applicable Funds with respect to the immediate issue and/or with respect to their longer term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors generally mitigate, but will not eliminate, conflicts of interest:

- A Fund will not make an investment unless the Adviser believes that such investment is an appropriate investment considered from the viewpoint of such Fund;
- Many important conflicts of interest will generally be resolved by set procedures, restrictions or other provisions contained in the relevant Governing Documents of the Funds;
- One or more of the Funds have established an advisory board, consisting of at least three members designated by the Adviser who will be representatives of certain investors not affiliated with the Adviser. The advisory board meets as required to consult with the Adviser as to certain potential conflicts of interest as described in the Governing Documents of the Fund or as may otherwise be requested by the Advisor from time to time. The advisory board will review all valuations made by the Adviser.
- Where the Adviser deems appropriate, unaffiliated third parties may be used to help resolve conflicts, such as the use of an investment banker to opine as to the fairness of a purchase or sale price;
- The Adviser has adopted and implemented certain policies and procedures designed to reduce certain conflicts of interest; and
- Prior to subscribing for interests in a Fund, each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of the Fund.

In addition, certain provisions of a Fund's Governing Documents are designed to protect the interests of investors in situations where conflicts may exist, although these provisions do not eliminate such conflicts. In certain instances, some of such conflicts of interest may be resolved in a manner adverse to a Fund and its ability to achieve its investment objectives. While the Adviser endeavors to resolve all conflicts in a fair and impartial manner, there can be no assurance that its own interests will not influence its conduct and decisions.

### *Conflicts*

The material conflicts of interest encountered by a Fund include those discussed below, although the discussion below does not necessarily describe all of the conflicts faced by a Fund. Other conflicts may be disclosed throughout this Brochure and this Brochure should be read in its entirety for other conflicts.

### *Allocation of Investment Opportunities Among Clients*

In connection with its investment activities, the Adviser may encounter situations in which it must determine how to allocate investment opportunities among various clients and other persons, which include, but are not limited to, the following:

- The Funds;
- Any co-investors or co-investment vehicles that have been formed to invest side-by-side with one or more Funds in a particular transaction entered into by such Fund(s) (the co-investors or investors in such co-investment vehicles which may include Adviser Investors and/or individuals and entities that are not investors in any Funds ("Third Parties"));
- Adviser Investors and/or Third Parties that wish to make direct investments (i.e., not through an investment vehicle) side-by-side with one or more Funds in particular transactions entered into by such Fund(s); and
- Adviser Investors and/or Third Parties acting as "co-sponsors" with the Adviser with respect to a particular transaction.

The Adviser makes allocation determinations consistent with the Funds' Governing Documents and in accordance with its written policies and procedures.

The Funds are generally subject to investment allocation requirements (collectively, "Investment Allocation Requirements"). Investment Allocation Requirements are typically set forth in the applicable Fund's Governing Documents. To the extent the Investment Allocation Requirements of a Fund do not include specific allocation procedures and/or allow the Adviser discretion in making allocation decisions among the Funds, the Adviser will follow the process set forth below.

The Adviser must first determine which Funds and/or other parties are eligible to participate in an investment opportunity. The Adviser assesses whether an investment opportunity is appropriate for a particular Fund(s), based on the Fund's investment objectives, strategies and structure. A Fund's investment objectives, strategies and structure typically are reflected in the Fund's Governing Documents. Prior to making any allocation to a Fund of an investment opportunity,

the Adviser determines what additional factors may restrict or limit the offering of an investment opportunity to the Fund(s). Possible restrictions include, but are not limited to:

- **Obligation to Offer:** the Adviser may be required to offer an investment opportunity to one or more Funds.
- **Related Investments:** the Adviser may offer an investment opportunity related to an investment previously made by a Fund(s) to such Fund(s) to the exclusion of, or resulting in a limited offering to, other Funds.
- **Legal and Regulatory Exclusions:** the Adviser may determine that certain Funds or investors in such Funds should be excluded from an allocation due to specific legal, regulatory and contractual restrictions placed on the participation of such persons in certain types of investment opportunities.

Once the Adviser identifies the Funds and other parties that are eligible to participate in a particular investment, the Adviser, in its discretion, decides how to allocate such investment opportunity among the identified Funds based on the Funds' Governing Documents. To the extent such Funds' Governing Documents do not include specific allocation procedures and/or allow the Adviser discretion in making allocation decisions among the Funds, the Adviser takes into account some or all of a wide range of relevant factors determined in the Adviser's sole discretion. These factors include, but are not necessarily limited to, one or more of the following:

- Each Fund's investment objectives and investment focus;
- Transaction sourcing (and with respect to an investment opportunity originated by a third-party, the relationship of a particular Fund to or with such third-party);
- Each Fund's liquidity and reserves (including whether a Fund is able to commit to invest all capital required to consummate a particular investment opportunity);
- Structural and operational differences between the Funds;
- Each Fund's diversification (including the actual, relative or potential exposure of a Fund to the type of investment opportunity in terms of its existing portfolio);
- Lender covenants and other limitations;
- Any "ramp-up" period of a newly established Fund;
- Amount of capital available for investment by each Fund as well as each Fund's projected future capacity for investment (including whether a Fund is able to invest all capital required to consummate a particular investment opportunity);
- The size, liquidity and duration of the investment;
- Each Fund's targeted rate of return;
- Stage of development of the prospective portfolio company or other investment and anticipated holding period of the portfolio company;



- Composition of each Fund's portfolio and each Fund's investment concentration parameters (including, without limitation, parameters such as geography, industry, issuer, volatility, leverage or other similar risk metrics);
- The suitability as a follow-on investment for a current portfolio company of a Fund or to upsize an existing investment;
- The use of leverage in the proposed capital structure;
- The availability of other suitable investments for each Fund;
- Supply or demand of an investment opportunity at a given price level;
- Risk considerations;
- Cash flow considerations;
- The likelihood of current income;
- The centrality of an investment to a Fund's strategy;
- Asset class restrictions;
- The seniority of an investment and other capital structuring criteria;
- Industry and other allocation targets;
- Minimum and maximum investment size requirements;
- Tax and accounting implications;
- Whether an investment opportunity requires additional consents or authorizations from the Fund, investors or Third Parties;
- Whether an investment opportunity would enable a Fund to qualify for certain programmatic benefits or discounts that are not readily available to other Funds including, but not limited to, the ability to enter into credit arrangements with certain financial or governmental institutions;
- Legal, contractual or regulatory constraints; and
- Any other relevant limitations imposed by or conditions set forth in the applicable Governing Documents of each Fund.

The Adviser will seek to make all allocations of investment opportunities among the Funds in a fair and equitable manner, and will not favor or disfavor, consistently or consciously, any Fund or class of Funds in relation to any other Funds, subject to any Investment Allocation Requirements. Further, the Adviser will not allocate investment opportunities based, in whole or in part, on (i) the relative fee structure or amount of fees paid by any Fund or (ii) the profitability of any Fund. The application of the Investment Allocation Requirements and factors set forth above will often result in 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 investment objectives. The Adviser makes allocation determinations based solely on the Adviser's expectation at the time such investments are made, however investments and their characteristics may change and there can be no assurance that an investment may prove to have been more suitable for another Fund in hindsight.

In addition, Adviser Personnel, and certain service providers to the Funds and/or the portfolio companies, invest in and/or alongside the Funds and may therefore participate in investments made by the Funds. The interests of such personnel will vary Fund by Fund and may create an incentive to allocate particularly attractive investment opportunities to the Fund in which such personnel hold a greater interest. The existence of these varying circumstances presents conflicts of interest in determining how much, if any, of certain investment opportunities to offer to a Fund.

A Fund will from time to time invest in the securities offerings of a portfolio held by another Fund (including through initial public offerings), which would result in the Adviser and/or a Fund receiving an allocation of portfolio company securities. In addition to conflicts of interest arising from the allocation of such securities, this arrangement also leads to similar conflicts described below under “*Conflicts Related to Purchases and Sales.*”

A conflict also arises in allocating an investment opportunity if the potential investment target could be acquired by either a Fund or a portfolio company of another Fund. In making such an allocation determination, the Adviser will consider one or more of the factors set forth above and will make a determination in its good faith discretion.

#### *Allocation of Co-Investment Opportunities and Secondary Transactions*

Subject to any Investment Allocation Requirements, the Adviser will determine if the amount of an investment opportunity exceeds the amount the Adviser determines would be appropriate for the applicable Fund (after taking into account any portion of the opportunity allocated to certain participants in the applicable deal, such as service providers to the Adviser and/or the Funds or management teams or service providers of the applicable portfolio company, sellers, management, financial or strategic partners, operating partners, senior, subordinated or mezzanine lenders or holders of preferred stock or similar preferred equity interests, or any lender or holder of preferred stock or similar preferred equity interest that holds common equity or warrants or other rights related thereto), and any such excess will be offered to one or more co-investors pursuant to the procedures included in such Funds’ Governing Documents or, to the extent not addressed in such Funds’ Governing Documents, in accordance with the following paragraphs. There may be circumstances where the Adviser determines, for strategic or other reasons, the amount that could have otherwise been invested by a particular Fund is instead allocated to one or more co-investors.

The amount of Other Fees generated as a result of co-investments in connection with any portfolio company will often not reduce the Advisory Fees paid by the Funds and will therefore be retained by the Adviser. The allocation of co-investment opportunities will, in many or all cases, also involve a benefit to the Adviser in addition to the receipt of Other Fees, including the receipt of Advisory Fees or allocation of Carried Interest from the co-investor, and/or capital commitments to Funds (including successor Funds). As a result of the foregoing, the Adviser could be incentivized to allocate a greater portion of an investment to a co-investor than it would have otherwise allocated absent such an arrangement or economic terms.

In addition, co-investment vehicles may be formed to make investments alongside a Fund. In such cases, the co-investment vehicle will have a priority right to make co-investments in some or all

of the investments made by such Fund. The existence of such priority or other contractual right will significantly reduce or eliminate co-investment opportunities available to the investors.

Subject to any Investment Allocation Requirements or other specific agreements with investors, in general, (i) no investor in a Fund has a right to participate in any co-investment opportunity and investing in a Fund does not give an investor any rights, entitlements or priority to co-investment opportunities, (ii) decisions regarding whether and to whom to offer co-investment opportunities, as well as the applicable terms on which a co-investment is made, are made in the sole discretion of the Adviser or its related persons or other participants in the applicable transactions, such as co-sponsors, (iii) co-investment opportunities typically will be offered to some and not other investors in the Funds, in the sole discretion of the Adviser or its related persons and investors may be offered a smaller amount of co-investment opportunities than originally requested and an investor may be offered fewer co-investment opportunities than other investors in the same Fund, with the same, larger or smaller capital commitments to such Fund, (iv) certain persons other than investors in the Funds (e.g., other Funds managed by the Adviser, consultants, joint venture partners, Adviser Investors, persons associated with a portfolio company and other Third Parties, including persons who the Adviser believes will provide a benefit to a Fund and/or one or more portfolio companies or who provide a strategic sourcing or similar benefit to the Adviser, a Fund, and/or a portfolio company and one or more of their respective affiliates, due to industry or regulatory expertise or otherwise), rather than one or more investors in a Fund will, generally be offered co-investment opportunities, in the sole discretion of the Adviser or its related persons, and (v) co-investors will generally purchase their interests in a portfolio company at the same time as the Funds or will, on occasion purchase their interests from the applicable Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell down or transfer). Each co-investment opportunity (should any exist) is likely to be different and allocation of each such opportunity will be dependent upon the facts and circumstances specific to that unique situation (e.g., timing, industry, size, geography, asset class, projected holding period, exit strategy and counterparty). Additionally, non-binding acknowledgements of interest in co-investment opportunities are not Investment Allocation Requirements and do not require the Adviser to notify the recipients of such acknowledgements if there is a co-investment opportunity.

In exercising its discretion to allocate co-investment opportunities with respect to a particular investment among the potential co-investors, the Adviser will consider some or all of a wide range of factors, which include, but are not limited to, its own interest and/or one or more of the following:

- The Adviser's evaluation of the size and financial resources of the potential co-investment party and the Adviser's perception of the ability of that potential co-investment party (in terms of, for example, staffing, expertise and other resources or similar synergies) to efficiently and expeditiously participate in the investment opportunity with the relevant Fund(s) without harming or otherwise prejudicing such Fund(s), in particular when the investment opportunity is time-sensitive in nature, as is typically the case (including whether the potential co-investment party has a complicated tax structure that would require particular structuring implementation or covenants that would not otherwise be required);

- Any confidentiality concerns the Adviser has that may arise in connection with providing the other account or person with specific information relating to the investment opportunity in order to permit such potential co-investment party to evaluate the investment opportunity;
- Whether a potential co-investment party has a history of participating in opportunities and the Adviser's perception of its past experiences and relationships with that potential co-investment party, such as the willingness or ability of the potential co-investment party to respond promptly and/or affirmatively to potential investment opportunities previously offered by the Adviser and the expected amount of negotiations required in connection with a potential co-investment party's commitment;
- The character and nature of the co-investment opportunity (including the potential co-investment amount, structure, geographic location, tax characteristics and relevant industry);
- Level of demand for participation in such co-investment opportunity;
- The ability of a potential co-investment party to aid in operating or monitoring a portfolio company or the possession of certain expertise by a potential co-investment party and the potential co-investment party's relationship with the management team of the potential portfolio company and whether the potential co-investment party has any existing positions in the portfolio company;
- The extent to which a potential co-investment party has been provided a greater amount of co-investment opportunities relative to others;
- Whether the potential co-investment party would require any governance rights that would complicate the transactions (or, alternatively, whether the potential co-investment party would be willing to defer to the Adviser and assume a passive role in governing a portfolio company);
- Any interests a potential co-investment party has in any competitors of the portfolio company;
- The Adviser's perception of whether the investment opportunity may subject the potential co-investment party to legal, regulatory, competitive, confidentiality, reporting, public relations, media or other burdens that make it less likely that the other account or person would act upon the investment opportunity if offered;
- The Adviser's evaluation of whether a particular potential co-investment party has provided value in the sourcing, establishing relationships, participating in diligence and/or negotiations for such potential transaction or is expected to provide value to the business or operations of a portfolio company post-closing;
- The Adviser's evaluation of whether the profile or characteristics of the potential co-investment party may have an impact on the viability or terms of the proposed investment opportunity and the ability of the Funds to take advantage of such opportunity (for example, if the potential co-investment party is involved in the same industry as a target company in which a Fund wishes to invest, or if the identity of the potential co-investment party, or the

jurisdiction in which the potential co-investment party is based, may affect the likelihood of a Fund being able to capitalize on a potential investment opportunity); and

- Whether the Adviser believes, in its sole discretion, that allocating investment opportunities to a potential co-investment party will help establish, recognize, strengthen and/or cultivate relationships that may provide indirectly longer-term benefits (including strategic, sourcing or similar benefits) to current or future Funds and/or the Adviser and whether the potential co-investment party has demonstrated a long-term and/or continuing commitment to the potential success of the current or future Funds and/or the Adviser.

The factors above are not listed in order of importance or priority and the Adviser is not required to, and does not, consider all of the factors described above in any particular investment and some factors may be more or less important depending upon the nature of the particular investment and attendant circumstances. The Adviser's exercise of its discretion in allocating investment opportunities with respect to a particular investment among the persons, including the Funds, potential co-investors, Adviser Investors and Third Parties, and in the manner discussed above often will not, result in proportional allocations among such persons, and such allocations often will be more or less advantageous to some such persons relative to other such persons. For example, the Adviser may be incentivized to offer a co-investment opportunity to certain persons over others based on its economic arrangement with such persons (including, for example, whether the Adviser and/or the applicable general partners are entitled, under arrangements made with certain potential co-investment parties, to additional Advisory Fees and/or Carried Interest based on the availability of co-investment opportunities offered to such parties). While the Adviser determines how to allocate investment opportunities using its best judgment, considering such factors as it deems relevant, but in its sole discretion, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made will be as favorable as they would be if the conflicts of interest to which the Adviser is subject, discussed herein, did not exist.

In the event the Adviser determines to offer an investment opportunity to co-investors, there can be no assurance that the Adviser will be successful in offering a co-investment opportunity to a potential co-investor, in whole or in part, that the closing of such co-investment will be consummated in a timely manner, that the co-investment will take place on the terms and conditions that will be preferable for a Fund or that expenses incurred by such Fund with respect to the syndication of the co-investment will not be substantial, and the Funds bear the risk that any or all excess portion of an investment is not sold or is sold on unattractive terms. Further, it is possible that a potential co-investment party may experience financial, legal or regulatory difficulties and may, from time to time, have economic, tax, regulatory, contractual or other business interests or goals that are inconsistent with those of a Fund and as a result, may take a different view from the Adviser as to appropriate strategy for an investment or may be in a position to take a contrary action to a Fund's investment objective. In the event that the Adviser is not successful in offering a co-investment opportunity to potential co-investors, in whole or in part, a Fund may consequently hold a greater concentration and have more exposure in the related investment opportunity than was initially intended, which could make such Fund more susceptible to fluctuations in value resulting from adverse economic and/or business conditions with respect thereto. Moreover, an investment by a Fund which is not syndicated to co-investors as originally anticipated could significantly reduce such Fund's overall investment returns. Therefore, it is

possible that a Fund that overcommits to an investment will bear a disproportionate allocation of the risks associated with the transaction without being compensated for assuming such risks.

The Adviser or its affiliates may establish dedicated co-investment vehicles for specific investors in order to facilitate investments by the relevant investors as co-investment parties alongside a Fund. Any such vehicle will be established at the Adviser or its affiliates' sole discretion and the Adviser and its affiliates have no obligation to offer a similar opportunity to any other investor.

In addition, to the extent the Adviser has discretion over a secondary transfer of interests in a Fund pursuant to such Fund's Governing Documents, or is asked to identify potential purchasers in a secondary transfer, the Adviser will do so in its sole discretion, generally taking into account the following factors:

- The Adviser's evaluation of the financial resources of the potential purchaser, including its ability to meet capital contribution obligations;
- The Adviser's perception of its past experiences and relationships with the potential purchaser, including its belief that the potential purchaser would help establish, recognize, strengthen and/or cultivate relationship that may provide indirectly longer-term benefits to current or future Funds and/or the Adviser and the expected amount of negotiations required in connection with a potential purchaser's investment;
- Whether the potential purchaser would subject the Adviser, the applicable Fund, or their affiliates to legal, regulatory, reporting, public relations, media or other burdens;
- A potential purchaser's investment into another Fund (including any commitment into a future fund);
- Requirements in such Fund's Governing Documents; and
- Such other facts as it deems appropriated under the circumstances in exercising such discretion.

#### *Conflicts Related to Purchases and Sales*

Funds from time to time invest in conjunction with an investment being made by other Funds, or in a transaction where another Fund has already made an investment. Conflicts may arise on connection with such investments. Investment opportunities are, from time to time be appropriate for more than one Fund at the same, different or overlapping levels of a portfolio company's capital structure. Conflicts arise in determining the terms of investments, particularly where these clients may invest in different types of securities in a single portfolio company. Questions arise as to whether payment obligations and covenants should be enforced, modified or waived, whether payments should be accelerated, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring or other concessions that may be given in such a situation raise conflicts of interest, and the Adviser may be incentivized to choose a course of action that benefits one Fund to the detriment of another Fund.

In the event that one Fund has a controlling or significantly influential position in a portfolio company, it will have the ability to elect some or all of the board of directors of such a portfolio company, thereby controlling the policies and operations, including the appointment of management, future issuances of securities, payment of dividends, incurrence of debt and entering into extraordinary transactions. In addition, a controlling Fund is likely to have the ability to determine, or influence, the outcome of operational matters and to cause, or prevent, a change in control of such a company. Such management and operational decisions may, at times, be in direct conflict with other Funds that have invested in the same portfolio company that do not have the same level of control or influence over the portfolio company. If additional capital is necessary as a result of financial or other difficulties of a portfolio company, or to finance growth or other opportunities, the Funds may or may not provide such additional capital, and if provided each Fund will supply such additional capital in such amounts, if any, as determined by the Adviser. In the event one Fund is unable to fund its share of additional capital (e.g., in the event such Fund does not have sufficient available capital), the other Fund may be obligated to fund more than its share of such amount. In such event, one Fund will gain greater exposure to such investment than may have been intended and the other Fund will be diluted in such investment. The returns of each Fund may be negatively impacted as a result of the foregoing.

Certain Funds invest from time to time in bank debt and securities of companies in which other clients hold securities, including equity securities. Equity holders and debt holders have different (and often competing) motives, incentives, liquidity goals and other interests with respect to a portfolio company. In the event that such investments are made by a Fund, the interests of such Fund may be in conflict with the interest of such other Fund, particularly in circumstances where the underlying company is facing financial distress. Decisions taken by one Fund in these circumstances to further its interests may be adverse to the interests of other clients of the Adviser. For example, one Fund could acquire a significant equity stake in a company whose debt securities are already held by another Fund. As a creditor of the company, the Fund holding debt could take actions, consistent with its obligations to maximize the return to its investors, that would be adverse to the interests of the Fund holding more junior securities. The Fund holding debt, for instance, could cause the acceleration of the portfolio company's debt or exercise other rights it has that could precipitate a sharp decline in the value of the equity held by the other Fund. The Fund holding debt would be under no obligation to take any action or refrain from taking any action to prevent or mitigate any losses by the other Fund. In addition, the involvement of such persons at both the equity and debt levels could inhibit strategic information exchanges among fellow creditors. In certain circumstances, Funds may be prohibited from exercising voting or other rights, and may be subject to claims by other creditors with respect to the subordination of their interest.

Investments by more than one client of the Adviser in a portfolio company also raises the risk of using assets of a Fund (or an affiliate of the Adviser) to support positions taken by other Funds of the Adviser (or its affiliates), or that a Fund may remain passive in a situation in which it is entitled to vote. There may be differences in timing of entry into, or exit from, a portfolio company for reasons such as differences in strategy, existing portfolio or liquidity needs. In addition, where more than one Fund of the Adviser (or its affiliates) invest in the same portfolio company, there can be no assurance that such parties will dispose of investments at the same time or on the same terms. For example, because the Adviser has an incentive to show realized returns in connection

with other fundraising activities (including fundraising for a successor fund) and because one Fund's term may expire before the end of another Fund's term, such Funds may dispose of the investment at different times. Investments disposed of at different times will likely be disposed of at different valuations and, as a result, each Fund may realize different returns as compared to the same investment held by another Fund. These variations in timing may be detrimental to a Fund. At the same time, if the Adviser determines it is advisable for a Fund to exit an investment at the same time as another Fund of the Adviser or its affiliates, the term of which may expire sooner than the former Fund's, such Fund may dispose of its interest earlier than it ordinarily would have and may, as a result, experience lower returns than it otherwise may have earned on such investments.

The applicable Fund's Governing Documents and the Adviser's policies and procedures are expected to vary based on the particular facts and circumstances surrounding each investment by two or more Funds in different classes of an issuer's capital structure (as well as across multiple issuers or borrowers within the same overall capital structure) and, as such, there may be a degree of variation and potential inconsistencies, in the manner in which potential or actual conflicts are addressed.

Adviser Personnel and service providers to the Adviser have made and may make capital investments in or alongside certain Funds. These investments will under circumstances be at different times or in non-pro rata amounts, or in different classes or levels of the capital structure. Such persons therefore have additional conflicting interests in connection with these investments. There can be no assurance that the return of a Fund participating in a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

A Fund may invest in opportunities that other Funds have declined, and likewise, a Fund may decline to invest in opportunities in which other Funds have invested.

From time to time the Adviser may, in its discretion, enter into transactions with investors in one or more Funds, co-investors, Adviser Investors or Third Parties to dispose of all or a portion of certain investments held by one or more Funds. In exercising its discretion to select the purchaser(s) of such investments, the Adviser will comply with the requirements set forth in the Governing Documents of the applicable Fund(s), or to the extent not addressed in the Governing Documents of the applicable Funds(s), the Adviser may consider some or all of the factors listed above under "*Allocation of Investment Opportunities Among Clients and Allocation of Co-Investment Opportunities*". The sales price for such transactions will be mutually agreed to by the Adviser and such purchaser(s); however, determinations of sales prices involve a significant degree of judgment by the Adviser. Although the Adviser is not obligated to solicit competitive bids for such sales transaction or to seek the highest available price, it will first determine that such transaction is in the best interests of the applicable Fund(s), taking into account the sales price and the other terms and conditions of the transaction. There can be no assurance, in light of the performance of the investment following such a transaction, that such transaction will ultimately prove to be the most profitable or advantageous course of action for the applicable Fund(s). Any such transactions will comply with the Governing Documents of the applicable Fund(s).



A Fund has in the past and may, from time to time in the future sell down an interest in its portfolio companies to co-investors. Subject to the applicable Governing Documents, the Adviser may charge (or may decide not to charge) a co-investor (such as a Fund investor, an Adviser Investor or Third Party) interest costs for the time period between the closing of the applicable Fund's investment in a portfolio company to the date of the transfer of interests in such portfolio company to the applicable co-investor.

The Funds will, from time to time, enter into equity commitment arrangements whereby, subject to any applicable documentation, a Fund agrees that upon the closing of a transaction with respect to a potential portfolio company, it will purchase equity securities in a transaction. Furthermore, in certain instances the Funds will also enter into (a) limited guarantee arrangements whereby, subject to any applicable documentation, a Fund agrees that if a transaction with respect to a potential portfolio company is not consummated, it will pay a percentage of the total value of the transaction as a "reverse termination fee" to the seller entity and (b) full guarantee arrangements where a Fund agrees to close a transaction even if the debt financing for such transaction is not available or has not been funded. While certain co-investment vehicles with investments contractually tied to the Fund (including co-investment vehicles through which Adviser Personnel participate) are generally obligated to pay their proportionate share of the equity purchase price (whether pursuant to the applicable Funds' Governing Documents or otherwise), such co-investment vehicles are generally not direct parties to the equity commitment arrangements or limited guarantees and, in any event, are not obligated to pay their proportionate share of any reverse termination fee. Therefore, in the unlikely event that a co-investment vehicle defaults on an arrangement with the Fund to pay its proportionate share of the equity purchase price (if any) or such an arrangement does not exist, the Fund would be held responsible for the entire equity purchase price or other applicable obligations.

The Funds, from time to time, co-invest with Third Parties through partnerships, joint ventures or other similar entities or arrangements. These investments may involve risks and conflicts that would not otherwise be present in investments where a Third Party is not involved. Such risks include, among other things, the possibility that the Third Party may have differing economic or business goals than those of the Fund, or that the Third Party may be in a position to take actions that are inconsistent with the investment objectives of the Funds. There may also be instances where the Funds will be liable for the actions of such Third-Party co-investors. There can be no assurance that the return of a Fund participating in a transaction with a Third Party would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

#### *Cross-Transactions*

In certain cases, the Adviser will, from time to time cause a Fund to purchase investments from another Fund, or it will cause a Fund to sell investments to another Fund. Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, it is possible that a Fund will not receive the best price otherwise possible, or the Adviser 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. Additionally, in connection with such transactions, the Adviser and its professionals will potentially (i) have significant investments, or intentions to

invest, in the Fund that is selling and/or purchasing such an investment or (ii) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment). The Adviser and its professionals generally receive management or other fees in connection with their management of the relevant Funds involved in such a transaction, and are typically also entitled to share in the investment profits of the relevant Funds. To address these conflicts of interest, in connection with effecting such transactions, the Adviser will follow the Investment Allocation Requirements of the relevant Funds (e.g., the Governing Documents of certain Funds provide for the rebalancing of investments at certain times and at a cost set forth in those Governing Documents so that these Funds' resulting ownership of investments is generally proportionate to the relative capital commitments of the Fund). To the extent such matters are not addressed in the Investment Allocation Requirements, the Adviser's Managing Directors, in consultation with the CCO, will be responsible for confirming that the Adviser (i) considers its respective duties to each Fund, (ii) determines whether the purchase or sale and price or other terms are comparable to what could be obtained through an arm's length transaction with a third party on commercially reasonable terms, and (iii) obtains any required approvals of the transaction's terms and conditions.

### *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 an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a "principal transaction"), the adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client's consent to the transaction. In connection with the Adviser's management of the Funds, the Adviser will engage in principal transactions. The Adviser has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including that disclosures required by Section 206 of the Advisers Act be made to the applicable Fund(s) regarding any proposed principal transactions and that any required prior consent to the transaction be received. In addition, the Governing Documents of the Funds typically contain additional restrictions on the ability of the Funds or the Adviser to engage in principal transactions.

### *Management of the Funds*

The Adviser manages a number of Funds that have investment objectives similar to each other. The Adviser expects that it or its personnel will in the future establish one or more additional investment funds with investment objectives substantially similar to, or different (and potentially conflicting) from, those of the current Funds. Allocation of available investment opportunities between the Funds and any such investment fund could give rise to conflicts of interest. See "*Allocation of Investment Opportunities Among Clients and Allocation of Co-Investment Opportunities*" above. The Adviser may give advice or take actions with respect to, the investments of one or more Funds that may not be given or taken with respect to other Funds with similar investment programs, objectives or strategies. As a result, Funds with similar strategies will not hold the same securities or achieve the same performance. In addition, a Fund generally may not be able to invest through the same investment vehicles, or have access to similar credit or

utilize similar investment strategies as another Fund. These differences will result in variations with respect to price, leverage and associated costs of a particular investment opportunity.

In addition, it is expected that Adviser Personnel responsible for managing a particular Fund will have responsibilities with respect to other Funds managed by the Adviser, including funds raised in the future or to proprietary investments made by the Adviser and/or its principals of the type made by a Fund. Conflicts of interest arise in allocating time, services or functions of these Adviser Personnel. Adviser Personnel have an incentive to allocate more time, services or functions to Funds from which such personnel derive a higher economic benefit and/or better performing Funds.

In addition, the Adviser receives and generates various kinds of portfolio company data and other information, including related to financial, industry, market, business operations, trends, budgets, customers, suppliers, competitors and other metrics. This information may, in certain instances, include material non-public information received or generated in connection with efforts on behalf of one Fund's investment (or prospective investment) in a portfolio company. As a result, the Adviser is better able to anticipate macroeconomic and other trends, and otherwise develop investment strategies. The Adviser may in the future enter into information sharing and confidentiality arrangements with portfolio companies and other sources of information that may limit the internal distribution and use of such data. The Adviser may in the future in certain instances to use this information in a manner that may provide a material benefit to the Adviser, its affiliates, or to certain other Funds without compensating or otherwise benefitting the Fund or Funds from which such information was obtained. In addition, the Adviser may have an incentive to pursue investments in portfolio companies based on the data and information expected to be received or generated. The Adviser may in the future to utilize such information to benefit the Adviser, its affiliates or certain Funds in a manner that may otherwise present a conflict of interest resulting from the particular facts and circumstances, but does not intend to specifically disclose such conflicts to the relevant Funds.

The Adviser and its affiliates may also enter into formal or informal arrangements with portfolio investments to facilitate the sharing of data and/or data analytics. Subject to applicable legal, regulatory and contractual requirements, these information sharing arrangements are designed to allow the Adviser, the Funds and the Funds' portfolio companies to better discern economic or other trends and developments. The Adviser believes that all Funds benefit from these arrangements in ways that would be impossible without the ability to aggregate data from across the Adviser's businesses and the Funds' portfolio companies. However, information sharing may involve conflicts of interest between the Funds and/or between the Funds and the Adviser. For example, data analytics based on inputs from one portfolio company may inform business decisions by other portfolio investments, or investment decisions by the Adviser and its affiliates, without the source of the data being directly compensated. It is difficult, if not impossible, to measure exactly the benefits any particular entity receives from these kinds of arrangements, or to provide specific and direct monetary compensation for such information. Therefore, the Adviser and its affiliates may utilize such data outside of Fund activities in a manner that may provide a material benefit to the Adviser, without directly compensating or otherwise benefitting the Funds. As a result, the Adviser may have an incentive to pursue investments (on its own behalf or on behalf of the Funds) based on the data that may be accessible as a result of owning such

investments, and/or to utilize such data in a manner that benefits the Adviser and/or investments held by other Funds.

The Funds may, 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 will be held responsible for the defaulted amount.

#### *Follow-on Investments*

Investments to finance follow-on acquisitions may present conflicts of interest, including determination of the equity component and other terms of the new financing as well as the allocation of the investment opportunities in the case of follow-on acquisitions by one Fund in a portfolio company in which another Fund has previously invested. In addition, a Fund will, from time to time participate in re-leveraging and recapitalization transactions involving portfolio companies in which another Fund has already invested or will invest. Conflicts of interest arise, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms.

#### *Conflicts Relating to the Adviser*

The Adviser has in the past contracted and may in the future, in its discretion but subject to any limitations in the applicable Fund's Governing Documents, contract with any related person of the Adviser (including but not limited to a portfolio company of a Fund or individuals and entities that are also investors in one or more Funds) to perform services for the Adviser in connection with its provision of services to the Funds. When engaging a related person to provide such services, the Adviser has an incentive to recommend the related person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

The Adviser will from time to time, in its discretion, recommend to a Fund or to a portfolio company thereof (in response to a solicitation for a recommendation or otherwise) that it contract for services with (i) the Adviser or a related person of the Adviser (including but not limited to a portfolio company of a Fund or individuals and entities that are also investors in one or more Funds) or (ii) an entity with which the Adviser or its affiliates or a member of their personnel has a relationship or from which the Adviser or its affiliates or their personnel otherwise derives financial or other benefit. When making such a recommendation, the Adviser, because of its financial or other business interest, has an incentive to recommend the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

The Adviser, its affiliates, and equityholders, officers, principals and employees of the Adviser may buy or sell securities or other instruments that the Adviser has recommended to Funds. Adviser Personnel may also buy securities in transactions offered to but rejected by Funds. A conflict of interest may arise because such investing Adviser personnel will, for some investments, benefit from the evaluation, investigation, and due diligence undertaken by the Adviser on behalf

of the Fund. In such circumstances, the investing Adviser personnel will not share or reimburse the relevant Fund(s) and/or the Adviser for any expenses incurred in connection with the investment opportunity. In addition, Adviser Personnel may also buy securities and hold interests as passive investors in other investment vehicles (including private equity funds, hedge funds, real estate funds and other similar investment vehicles) which may include potential competitors of the Funds and/or which may invest in similar industries and sectors as the Funds. Such Adviser Personnel have a conflict of interest with respect to their personal investment holdings. There could be situations in which such investment vehicles invest in the same portfolio companies as the Funds and there may be situations in which such investment vehicle purchases securities from, or sells securities to, a Fund. The transactions described above are subject to the policies and procedures set forth in the Adviser's Code of Ethics and any limitations in the applicable Fund's Governing Documents and investors will not benefit from any such investments. The investment policies, fee arrangements and other circumstances of these investments may vary from those of the Funds. Such personnel may be incentivized to cause a Fund to act in a manner that benefits such other investment vehicles and indirectly, themselves as investors in such investment vehicles. If Adviser Personnel have made large capital investments in or alongside the Funds they will have conflicting interests with respect to these investments. Furthermore, Adviser Personnel and other related persons of the Adviser and its affiliates from time to time invest for their own accounts in securities of companies in which the Funds have previously invested. While the significant interests of the Adviser Personnel generally align the interest of such persons with the Funds, such persons may have differing interests from the Fund with respect to such investments (for example, with respect to the availability and timing of liquidity), creating conflicts of interest.

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

Adviser Personnel have family members 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 (including service providers described below) or other industries, which gives rise to conflicts of interest. For example, such family members might be officers, directors, personnel or owners of companies which are actual or potential investments of the Funds or other counterparties of the Funds and the portfolio companies. Moreover, in certain instances, the Funds or the portfolio companies may purchase or sell companies or assets from or to, or otherwise transact with companies that are owned by such family members or in respect of which such family members have other involvement. In most such circumstances, the Funds' Governing Documents will not preclude Funds from undertaking any of these investment activities or transactions.

#### *Fee Structure*

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

Additionally, as discussed above in Item 6, the Adviser is entitled to Carried Interest under the terms of the Governing Documents of the applicable Fund. The existence of the Carried Interest creates an incentive for the Adviser to cause such Funds to make more speculative investments than they would otherwise make in the absence of performance-based compensation. However, the investment made by the Adviser or its affiliates in a Fund, the clawback obligation of the General Partner (as described below) and the fact that the preferred return is calculated on an aggregate basis reduces the incentive to make speculative investments or otherwise time the sale of an investment in a manner motivated by the personal benefit of the Adviser's personnel.

Pursuant to the Governing Documents, the Adviser may be required to return excess amounts of Carried Interest as a "clawback". This clawback obligation may create an incentive for the Adviser to defer disposition of one or more investments or delay the liquidation of a Fund if the disposition and/or liquidation would result in a realized loss to the Fund or would otherwise result in a clawback situation for the Adviser.

In addition, the General Partner is incentivized to hold on to investments that have poor prospects for improvement in order to receive ongoing Advisory Fees in the interim and, potentially, a more likely or larger Carried Interest distribution if such asset's value appreciates in the future. This incentive is increased by the presence of the clawback obligation of the General Partner.

The General Partner may elect to receive its Carried Interest in the form of an in-kind distribution of securities of a portfolio company, including for purposes of permitting one or more General Partner personnel to donate such securities to charity (which may include private foundations, fund or other charities so chosen by such personnel). Any tax efficiencies to such General Partner personnel associated with this form of charitable giving may have the effect of reinforcing or enhancing the General Partner's incentives otherwise resulting from the existence of its Carried Interest and therefore, the General Partner may have a conflict of interest in making decisions on behalf of the Funds (including, for instance, the timing of disposition of investments).

#### *Fund-Level Borrowing*

The Funds from time to time borrow funds or enter into other financing arrangements for various reasons, including to pay fund expenses and liabilities, to pay management fees, to make or facilitate new or follow-on investments (including borrowings pending receipt of capital contributions from investors), to make payments under hedging transactions, to cover any shortfall resulting from an investor's default or exclusion. If a Fund borrows in lieu of calling capital to fund the acquisition of an investment, the borrowing would be used for all limited partners in such Fund on a pro-rata basis, including the general partner. The Funds will also utilize subscription facilities to benefit co-investment parties. For example, a Fund will borrow to fund a co-investment party's pro rata share of an investment or expense related to an investment. While the Adviser expects that all parties (including the general partner and any co-investment party) will bear its pro rata share of the interests expenses but not necessarily origination and other costs allocable to the extension of credit, the Fund will bear a disproportionate amount of the credit risk in incurring the debt on behalf of the other parties.

In addition, credit facilities for certain Funds are available to provide borrowed funds directly to the portfolio companies of such Funds, in which case such borrowed funds would be guaranteed by such Funds. In such instances the Funds would bear the sole liability for the borrowed funds in the event of a default, and as a result, such portfolio company and any of its other investors (including direct investments by the general partner and any co-investor, including Adviser Investor co-investment vehicles) benefit from the credit risk taken by the Fund's guarantee.

To the extent a Fund uses borrowed funds in advance or in lieu of capital contributions, such Fund's investors generally make correspondingly later capital contributions, but the Fund will bear the expense of interest on such borrowed funds. As a result, a Fund's use of borrowed funds will impact the calculation of net performance metrics (to the extent that they measure investor cash flows) and generally make net IRR calculations higher than it otherwise would be without fund-level borrowing as these calculations generally depend on the amount and timing of capital contributions. It is expected that the interest will accrue on any such outstanding borrowings at a lower rate than any preferred return, which will begin accruing when capital contributions to fund such investments, or repay borrowings used to fund such investments, are actually made to the relevant Fund. Thus, while a Fund will bear the expense of borrowed funds, such borrowings can also increase the carried interest received by such Fund's General Partner by decreasing the amount of distributions from such Fund that are required to be made to Fund investors in satisfaction of any preferred return. The General Partner therefore has a conflict of interest in deciding whether to borrow funds because the General Partner may receive disproportionate benefits from such borrowings.

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. 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. 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 such Fund and/or by such 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 such Fund may cause the realization of "unrelated business taxable income."

### *Providers of Operations Support*

The Adviser, the Funds and/or the portfolio companies will from time to time deploy individuals to provide operational support, due diligence, research, sourcing, specialized operations and consulting services and similar or related services to the Funds, or in connection with, one or more portfolio companies in relation to the identification, acquisition, holding, improvement and disposition of such portfolio companies and "front office" functions with respect to a Fund, such as sourcing or other investment-related functions (such services, collectively, "Operations Support

Services”). These services may be high level insight, or extensive day-to-day roles, and include support to the Fund’s general partner on behalf of the Funds, and/or its portfolio companies or prospective portfolio companies regarding, among other things, the company’s management (including serving in management positions or participating in determining corporate strategy), the company’s supply chain, revenue and margin management (including determining sales/marketing strategy and retail strategy), assisting with the sourcing, identification, investigation, development, due diligence, research and evaluation of prospective portfolio companies, ongoing consulting, director and other operational services, 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. Individuals providing such Operations Support Services may be employees of the Adviser or may be consultants, advisers or other similar parties who are not treated by the Adviser as employees of the Adviser.

The nature of the relationship with such non-employee professionals, some of whom may work regularly with the Adviser in a non-employee role, may be listed on the Adviser’s website or have other indicia suggesting that they are professional staff of the Adviser (or former employees of the Adviser) (such as having an e-mail address or business cards including the name of the Adviser or an affiliate) (each such non-employee, an “Operating Partner”), and the time devotion requirements of each such Operating Partner may vary significantly. These arrangements may be memorialized in a formal written agreement or may be informal and are negotiated individually, depending upon the anticipated Operations Support Services to be provided. In certain cases, Operating Partners have attributes of Adviser Personnel (for instance, they may have dedicated office space, receive Adviser administrative support services, participate in general meetings or events for Adviser Personnel, have Adviser e-mail address or business cards), even though they are not employees or personnel of the Adviser. Operating Partners may be offered the ability (or may have a preferred right) to co-invest alongside Funds or may 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 applicable Fund, the Adviser will pay the compensation of its employees carrying out Operations Support Services and attributable overhead. Fees and expenses associated with Operations Support Services carried out by Operating Partners (“Operations Support Expenses”) are paid and/or reimbursed by portfolio companies and/or the relevant Fund. Operations Support Expenses, including those incurred by an affiliate or employee of the Adviser or its affiliates, will be determined at the discretion of the general partner of the Fund taking into account the particular Operations Support Services, may include reimbursement of an allocable portion of an affiliated Operating Partners’ compensation (including, without limitation, salary bonus, payroll taxes and benefits) and overhead (including, without limitation, rent, property taxes and utilities allocable to the work spaces, 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 Fund and/or portfolio company or other incentive-based compensation (e.g., Carried Interest) to the Operating Partner, and will otherwise 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. Operations Support Expenses will, from time to time also be incurred in respect of portfolio companies prior to the closing of the investment. In addition, an Operating Partner's benefits described herein will, in certain circumstances, continue after termination of status as an Operating Partner. To the extent services may be provided for the benefit of a Fund, without reference to a particular portfolio company, Operations Support Expenses incurred in connection with such 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 services with respect to more than one Fund, subject to the Governing Documents of the applicable Fund, such Operations Support Expenses generally will be allocated among the Funds as determined by applicable General Partners, consistent with the Governing Documents of the applicable Funds and as described above (see "*Allocation of Expenses*"). To the extent any such Operations Support Expenses are payable to any Operating Partner, or the Adviser is reimbursed for such Operations Support Expenses by a Fund or a portfolio company, such Operations Support Expenses will be retained by such Operations Partner and will not reduce the Advisory Fee or any other fees otherwise payable to the Adviser or its affiliates and will not benefit the Fund or its investors, even if the Operations Support Expenses paid by a Fund or a portfolio company have the effect of reducing any retainers or minimum amounts otherwise payable to the Adviser. The determination of whether an Operations Support Expense is paid by a portfolio company, a Fund, or the Adviser will be made by the Adviser in its sole discretion. In certain circumstances, such as during a "ramp-up" phase of one of the Operating Partners, the Adviser will fund all or a portion of such Operating Partner for a period of time until such compensation can be taken over on a going forward basis by portfolio companies directly. Such portfolio companies generally will later reimburse the Adviser for all fees and costs incurred by the Adviser with respect to such Operating Partner before such fees and costs are taken over by portfolio companies, and such reimbursement payments will not reduce any fees otherwise payable to the Adviser or its affiliates. Each General Partner's good faith determination as to whether a service is an Operations Support Service, the categorization of any fees and expenses (e.g., as Operations Support Expenses) and the allocation of such fees and expenses shall be binding on each applicable Fund and its investors. Over time, certain existing and former employees of the Adviser (including senior personnel) may transition to an Operating Partner role, which may shift the burden of compensating of such persons from the Adviser to the applicable Fund and/or its portfolio companies and any fees received by such persons will not reduce the Advisory Fee.

### *Diverse Membership*

The investors in the Funds are expected to include U.S. taxable and tax-exempt entities, and institutions from jurisdictions outside of the United States. Such investors often have conflicting investment, tax and other interests with respect to their investments in a Fund. The conflicting interests among the investors generally relate to or arise from, among other things, the nature of investments made by a Fund, the structuring of the acquisition of investments and the timing of the disposition of investments. As a consequence, conflicts of interest arise in connection with decisions made by the Adviser, including with respect to the nature or structuring of investments, that are more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for a

Fund, the Adviser will consider the investment and tax objectives of the applicable Fund and the investors as a whole, not the investment, tax or other objectives of any investor individually.

*Business with and Among Portfolio Companies and Investors*

Given the collaborative nature of the Adviser's business and the portfolio companies in which the Funds have invested, there are often situations where the Adviser is in the position of recommending the services of a portfolio company to other portfolio companies of the Funds, which may involve fees, commissions, servicing payments and/or discounts to the Adviser, an affiliate, or a portfolio company. The Adviser will generally have a conflict of interest in making such recommendations, in that the Adviser has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for the Funds, while it is possible that the products or services recommended are not necessarily the best available to the portfolio companies held by the Funds. The benefits received by a portfolio company providing a service may be greater than those received by the Fund(s) and its portfolio companies receiving the service.

The Adviser generally has an incentive to recommend the products or services of certain investors or prospective investors in the Funds, certain Third Parties, or their related businesses to the Funds or their portfolio companies for use or purchase, even though it is possible that the products or services recommended are not necessarily the best available to the Funds or the portfolio companies.

Portfolio companies controlled by a Fund have in the past, and may, from time to time in the future, provide services to the Adviser, certain Fund investors or prospective investors. This creates a conflict of interest, as the Adviser has an incentive to cause the portfolio company to favor itself, or those investors or prospective investors relative to other portfolio company clients or customers in terms of pricing or otherwise, which could adversely affect the portfolio company's profitability to the Fund. Additionally, the portfolio company could recommend to its clients or customers that they invest in a Fund.

Current and former officers and executives of portfolio companies may also invest in a Fund. While the Adviser believes this aligns portfolio company management teams with the best interests of the Fund, the Adviser may, in certain circumstances, be incentivized to take (or refrain from taking) certain actions with respect to a portfolio company in order to maintain the goodwill with such portfolio company management team investor.

In addition, certain portfolio companies controlled by a Fund may engage in activities that could adversely affect another Fund and/or its portfolio company, including, for instance, as a result of laws and regulations or certain jurisdictions (such as bankruptcy, environmental, consumer protection and/or labor or union laws) that may not recognize or permit the segregation of assets and liabilities between separate entities. Such jurisdictions may also allow for recourse against assets that are under common control with, or part of the same economic group as the entity that has incurred the liability. This may result in the assets of a Fund and/or a portfolio company being used to satisfy the obligations or liabilities of another Fund or its portfolio company.

The Adviser and/or its affiliates may engage in business opportunities arising from a Fund's investment in a portfolio company (for example, without limitation, entering into a joint venture with a portfolio company or making a proprietary investment in a portfolio company). This creates a conflict of interest, as such interests are a benefit arising from the Fund's investment and may vary from the applicable Fund's interest (e.g., whether to make a follow-on investment and, if so, how much should be allocated to the Fund).

In certain instances, a Fund's portfolio company may compete with, be a customer of, or be a service provider to, another Fund's portfolio company. In providing advice to a portfolio company's business, the Adviser may consider the interests of one portfolio company or Fund and is not obligated to, and need not, take into consideration the interests of other relevant portfolio companies or Funds. As a result, a conflict of interest may arise in these instances because advice and recommendations provided by the Adviser to a portfolio company may have adverse consequences to a separate portfolio company owned by another Fund. The performance and operations of a competitor, customer or service provider portfolio company could conflict with, and adversely affect the performance and operations of another portfolio company, or could adversely affect prices, business opportunities or potential acquisition opportunities. For instance, a portfolio company may seek to expand its market share at the expense of another portfolio company, withdraw business from another portfolio company in favor of another company offering the same product or service at a lower price, increase its own prices, purchase assets from, or sell assets to, another portfolio company, commence litigation against another portfolio company, or prevent one portfolio company from commencing litigation against another portfolio company.

A Fund's portfolio companies may be counterparties or participants in agreements, transactions or other arrangements with portfolio companies of other Funds managed by the Adviser or the Adviser's affiliates that, although the Adviser determines to be consistent with the requirements of such Funds' Governing Documents, may not have otherwise been entered into but for the affiliation with the Adviser, and which may provide economic or other benefits to affiliates of the Adviser that are not subject to the Advisory Fee offset provisions described herein. For example, the Adviser may cause portfolio companies to enter into agreements regarding group procurement (which may depend on the volume of services purchased under these agreements and which may be pooled across multiple portfolio companies and discounted due to scale), benefits management, data management and/or mining, technology development, purchase or title and/or other insurance policy (which may be pooled across multiple portfolio companies and discounted to scale) and other similar operational initiatives that may result in fees, better pricing, rebates, servicing payments, commissions or similar payments and/or discounts being paid to the Adviser, its affiliates or a portfolio company, including related to a portion of the savings achieved by the portfolio company. While the Adviser may have a conflict of interest because its economic benefit may incentivize the Adviser to maintain such arrangements, the Adviser believes that such agreements benefit the portfolio companies due to increased access to quality products and services at beneficial pricing and the Adviser's benefits from such arrangements are reduced because the Adviser only benefits at the same rate as the portfolio companies. However, it should not be assumed that a company related to, or otherwise affiliated with the Adviser will only take actions that are beneficial to, or not opposed to, the interests of a Fund and its portfolio companies.

Certain members of a Fund's advisory board are, or in the future could be, officers or directors of, or otherwise affiliated with, investors in another Fund. The Adviser will from time to time utilize the services of investors and their affiliates on an arm's length basis with commercially reasonable terms, as it deems appropriate.

The Adviser and its affiliates have in the past and may in the future hire part-time or full-time employees (including interns) who are relatives of, or are otherwise associated with an investor, portfolio company or service provider. Although the Adviser uses reasonable care to mitigate any potential conflicts of interest with respect to each particular situation, there is no guarantee the Adviser can control all such conflicts of interest and there may be a continuing appearance of a conflict of interest (including, for instance, preferential hiring practices).

While less common, from time to time a Fund could hold an investment in a different layer of the capital structure than an investor or another party with which the Adviser has a material relationship, in which case the Adviser could have an incentive to cause the Fund or the portfolio company to offer more favorable terms to such parties (including, for instance, financing arrangements).

### *Service Providers*

Services required by a Fund (including some services historically provided by the Adviser or its affiliates to the Funds) may, for certain reasons including efficiency and economic considerations be outsourced in whole or in part to Third Parties or licensed software, in each case in the discretion of the Adviser or its affiliates. This can create a conflict of interest because the Adviser and its affiliates have an incentive to outsource such services at the expense of the Funds to, among other things, leverage the use of Adviser personnel. Such services may include, without limitation, deal sourcing, asset management, information technology, license software, depository, data processing, client relations, administration, custodial, marketing and marketing-related accounting, valuation, trading, legal, human resources, client services, compliance, corporate secretarial and tax support, director services and other similar services. Outsourcing may not occur universally for all Funds and accordingly, certain costs may be incurred by a Fund for a Third-Party service provider that is not incurred for comparable services by other Funds. The decision by the Adviser to initially perform a service for a Fund in-house does not preclude a later decision to outsource such services (or any additional services) in whole or in part to Third-Party service providers or licensed software in the future and the Adviser has no obligation to inform such Funds or investors of such a change. In addition, certain internal service providers (such as internal accountants) may "shadow" or otherwise review the reports of the other services provided by such third parties. The costs and expenses of any such Third-Party service providers will be borne by the relevant Funds.

If a service provider provides services to a Fund on the property of the Adviser, such Fund may also be responsible for any overhead, rent or other fees, costs and expenses charged by the Adviser in connection with an on-site arrangement.

The Adviser and/or its affiliates may engage certain service providers to provide services to the Adviser, the Funds and/or the portfolio companies, including services during the due diligence and

acquisitions process. Such service providers or their affiliates are, in certain circumstances, investors in a Fund or affiliates of such investors and may include, for example, investment or commercial bankers, outside legal counsel, pension consultants and/or other investors who provide services (including mezzanine and/or other lending arrangements). 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. This creates a conflict of interest, as the Adviser may give such investor preferred economics or other terms with respect to its investment in a Fund, enhanced information or may have an incentive to offer such investor co-investment opportunities that it would not otherwise offer to such investor.

Additionally, employees of the Adviser or its affiliates, and/or their family members or relatives may have ownership, employment, or other interests in such service providers. These relationships that the Adviser may have with a service provider can influence the Adviser in determining whether to select or recommend such service provider to perform services for a Fund or a portfolio company. The Adviser will have a conflict of interest with the Funds in recommending the retention or continuation of a service provider to the Funds or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider will continue to invest in Funds or will provide the Adviser information about markets and industries in which the Adviser operates or is interested or will provide other services that are beneficial to the Adviser and/or will provide financial sponsorship of events held by the Adviser (such as transaction closing dinners or outings, or informational summits or training events for the Adviser or portfolio company personnel). Although the Adviser 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 the Adviser, because of financial, business interest, or other reasons, will favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. While the Adviser often does not have visibility or influence regarding advantageous service rates or arrangements, there will be situations in which the Adviser receives more favorable service rates or arrangements than the Funds or their portfolio companies.

Certain other service providers to the Adviser, the Funds and/or the portfolio companies, or affiliates of such service providers, also provide goods or services to or have business, personal, financial or other relationships with the Adviser, its affiliates, or their respective portfolio companies. Such service providers (or their employees) may also source of investment opportunities, be co-investors or commercial counterparties or entities in which the Adviser and/or the Funds have an investment, and payments by a Fund and/or such portfolio companies may indirectly benefit the Adviser and/or such Fund.

The Adviser, its personnel, the Funds and the portfolio companies of the Funds will, from time to time engage common service providers. In certain circumstances, the service provider may charge varying rates or engage in different arrangements for services provided to the Adviser, its personnel, the Funds, and/or the portfolio companies. As a result, the Adviser or its personnel may receive a more favorable rate on services provided to it by such a common service provider than those payable by the Funds and/or the portfolio company, or may receive a discount on services even though the Funds and/or the portfolio companies receive a lesser, or no, discount. This creates a conflict of interest between the Adviser and its personnel, 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 the Adviser 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 the Adviser, its personnel or its affiliates, and the Advisory 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 the Adviser or its affiliates differ from those required by the Funds and/or its portfolio companies, the Adviser and its affiliates may pay different rates and fees than those paid by the Funds and/or its portfolio companies.

The Adviser or its affiliates engage certain service providers (including law firms) on behalf of the Funds and personnel of such service provider may in the future be seconded to the Adviser or its affiliates on a temporary basis or serve in an internship capacity, pursuant to various arrangements including at cost or at no cost. The Adviser 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 the Adviser, its affiliates and/or portfolio companies and in any such circumstance the benefits or costs of any such personnel will be allocated in the Adviser's discretion taking into consideration the usage of such personnel. The Advisory Fee will not be offset or reduced as a result of these arrangements or any fees, expense reimbursements or other costs related thereto. In such circumstances, a conflict of interest exists because the Adviser or its affiliates have an incentive to select one service provider over another on the basis that the Adviser 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 the Adviser or its affiliates.

The Adviser has an agreement with its primary outside consultant pursuant to which such consultant receives as compensation both cash and equity payments in connection with the Funds' investments in portfolio companies. While the consultant may provide services in connection with the subject investment in a Fund portfolio company, the consultant also receives such payments in connection with investments in portfolio companies with respect to which the consultant provided no services. A fixed percentage of the fee paid to the consultant in connection with a portfolio company investment is paid in the form of equity in such portfolio company in connection with the consummation of the investment.

#### *Positions with Portfolio Companies*

Adviser Personnel will from time to time serve as directors of, or observers on boards with respect to, certain portfolio companies. While conflicts of interest may arise in the event that such Adviser Personnel's fiduciary duties as a director conflicts with those of a Fund, it is expected that the interests will generally be aligned. For instance, such positions could impair the ability of a Fund to sell the securities of an issuer in the event a director receives material non-public information by virtue of his or her role, which would have an adverse effect on the Fund. Furthermore, an

Adviser Personnel serving as a director to a portfolio company owes a fiduciary duty to the portfolio company, on the one hand, and the relevant Fund, on the other hand, and such Adviser Personnel may be in a position where they must make a decision that is either not in the best interest of the Fund, or is not in the best interest of the portfolio company. Adviser Personnel serving as directors may make decisions for a portfolio company that negatively impact returns received by a Fund investing in the portfolio company. In addition, to the extent an Adviser Personnel serves as a director on the board of more than one portfolio company, such Adviser Personnel's fiduciaries duties among the two portfolio companies may create a conflict of interest. Certain decisions made by a director may subject the Adviser, 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 the Adviser and Adviser Personnel from such claims. Additionally, the Advisory Fee of certain Funds is offset by such Fund's pro rata share of any director's compensation paid to such employees by any portfolio company in which such Fund has an investment, as provided in such Fund's Governing Documents. In addition, Adviser Personnel may leave the employment of the Adviser and become an officer, director or employee of a portfolio company. In certain cases, a former employee of the Adviser may be re-employed by the Adviser following employment by a portfolio company. No compensation (including any incentive or equity compensation) paid by a portfolio company to a former employee of the Adviser will offset or otherwise reduce the Advisory Fee paid by a Fund to the Adviser.

From time to time Adviser Personnel 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 person's employment with the Adviser. In such circumstances, any compensation or fees received with respect to such exited investment and/or by such Adviser employee is not subject to the Advisory Fee offset described above, or otherwise shared with the Funds and/or investors.

Certain personnel of the Adviser or its affiliates may also be 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. In such instances, the portfolio companies will pay such person's directors' fees, salaries, consultant fees, other cash compensation, stock options, other equity grants or other compensation and incentives and may reimburse the Adviser or such persons for any travel costs or other out-of-pocket expenses incurred in connection with the provision of their services. The Adviser may also advance compensation to seconded employees and be subsequently reimbursed by the applicable portfolio companies. Any compensation customarily paid directly by the Adviser or its affiliates to such persons will typically be reduced to reflect amounts paid directly or indirectly by the portfolio company even though the Advisory Fee paid or Carried Interest distributed by the Fund to the Adviser will not be reduced. Any amounts paid to such persons by a portfolio company (or paid by the Adviser and reimbursed by a portfolio company) will not be treated as expenses to be borne by the Fund and will not reduce the Advisory Fee otherwise payable to the Adviser or any Carried Interest otherwise payable to the Adviser or its affiliates. All or a portion of any such compensation and incentives will be borne by the Fund, directly or indirectly, via its ownership interest in such portfolio company. 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 the Adviser, or a seconded employee may not be clear. In such

cases, the Adviser will make a determination in good faith based on its evaluation of the relevant facts and circumstances.

#### *Side Letter Agreements; Advisory Committee Rights*

The Adviser often enters into certain side letter arrangements with certain investors in a Fund providing such investors with different or preferential rights or terms, including but not limited to different fee structures and other preferential economic rights, information and reporting rights, excuse or exclusion rights, waiver of certain confidentiality obligations, co-investment rights, certain rights or terms necessary in light of particular legal, regulatory or policy requirements of a particular investor, additional obligations and restrictions with respect to structuring particular investments in light of the legal and regulatory considerations applicable to a particular investor, veto rights, consent rights, withdrawal rights due to adverse tax or regulatory events and liquidity or transfer rights. Except as otherwise agreed with an investor, the Adviser is not required to disclose the terms of side letter arrangements with other investors in the same Fund. In addition, side letter arrangements with certain investors of the Funds impose additional restrictions on investing in certain types of assets, geographies or industries in order to meet certain legal, tax, regulatory, internal policy or other requirements of such investors. While these restrictions are intended to apply solely to such investors, they may ultimately restrict the investments made by an applicable Fund.

Many of the Funds have established an advisory committee, consisting of representatives of investors. A conflict of interest may exist when some, but not all limited partners are permitted to designate a member to the advisory committee because those designating limited partners will, for instance, have greater information rights. The advisory committee may also have the ability to approve conflicts of interests with respect to the Adviser 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 may have various business and other relationships with the Adviser, Adviser Personnel and its affiliates. These relationships may influence the decisions made by such members of the advisory committee.

In addition, members of one Fund's advisory committee may 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 sit may have conflicting interests, and such advisory committee members may be requested to provide their consent with respect to such conflicts of interest. Advisory committee members will not recuse themselves from any such vote and may act in their own interests in such situation because they do not owe any fiduciary duty to the Funds.

#### *Other Potential Conflicts*

The Governing Documents of a Fund establish complex arrangements among the Funds, the Adviser, investors, and other relevant parties. From time to time, questions may arise regarding certain parties' rights and obligations in certain situations, some of which may not have been contemplated upon the negotiation and execution of such documents. In some instances, the operative provisions of the Governing Documents, if any, may be broad, unclear, general, conflicting, ambiguous, and vague and may allow for multiple reasonable interpretations. In other



instances, there may not be a directly applicable provision. While the Adviser will construe the relevant provisions in good faith and in a manner consistent with its fiduciary duty and legal obligations, the interpretations used may not be the most favorable to a Fund or its investors.

The Adviser and the Funds will generally engage common legal counsel and other advisers in a particular transaction, including a transaction in which there may be conflicts of interest (e.g., cross transactions and other affiliated transactions). Members of the law firms engaged to represent the Funds could be investors in a Fund, and could 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 and/or the Adviser, the parties will engage separate counsel in the sole discretion of the Adviser, and in litigation and other circumstances separate representation could be required. Additionally, the Adviser and the Funds will at times engage other common service providers. In certain circumstances, the service provider may charge varying rates or engage in different arrangements for services provided to the Adviser, the Funds, and/or the portfolio companies. This may result in the Adviser receiving a more favorable rate on services provided to it by such a common service provider than those payable by the Funds and/or the portfolio company, or the Adviser receiving a discount on services even though the Funds and/or the portfolio companies receive a lesser, or no, discount. This creates a conflict of interest between the Adviser and the Funds in determining whether to engage such service providers, including the possibility that the Adviser will favor the engagement or continued engagement of such persons if it 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. In addition, the Adviser and its affiliates, including its employees, will, from time to time, receive discounts on services and/or products from portfolio companies. Such discounts are generally equal to, or less than, the discounts provided by the portfolio company to its own employees.

The Adviser and its personnel have in the past and may, from time to time in the future, receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of a Fund, including benefits and other discounts provided from service providers. For example, airline travel or hotel stays incurred as Fund expenses may result in “miles” or “points” or credit in loyalty/status programs to the Adviser and/or its personnel, and such benefits, rewards and/or amounts (whether or not *de minimis* or difficult to value), will exclusively benefit the Adviser and/or such personnel even though the cost of the underlying service is being born by the Funds, its investors and/or the portfolio companies. Any such benefits, rewards and/or amounts will not be subject to the offset arrangements described above or otherwise shared with such Fund, its investors and/or the portfolio companies. In addition, airline travel incurred as a Fund expense for an Adviser personnel travelling for appropriate Fund-related purposes (including, without limitation, travel related to a portfolio company, a prospective portfolio company or other Fund-related matter) may benefit such Adviser personnel to the extent the trip also serves a personal purpose.

The Adviser has in the past and may, in its discretion, in the future have and cause the Funds and/or their portfolio companies to have, ongoing business dealings, arrangements or agreements with persons who are former employees or executives of the Adviser. The Funds and/or their portfolio companies would bear, directly or indirectly, the costs of such dealings, arrangements or agreements. In such circumstances, there exists a conflict of interest between the Adviser and the

Funds (or their portfolio companies) in determining whether to engage in or to continue such dealings, arrangements or agreements, including the possibility that the Adviser will favor the engagement or continued engagement of such persons even if a better price and/or quality of service could be obtained from another person.

Investors may be introduced to the Adviser, or may be brought into a Fund, by a third-party consultant from which the Adviser or a Related Person purchases products and to which the Adviser or a Related Person may make payments, including in connection with conferences sponsored or hosted by the third-party consultant.

The Funds may create a platform for acquiring companies in a particular industry for the purpose of creating synergies across, and adding value to, such companies (e.g., merging companies together to create economies of scale or running certain companies in a coordinated manner). In such instances, a holding company ("Holding Company") would be created that would acquire and manage the companies in the platform. The Holding Company would be staffed with personnel responsible for sourcing, acquiring and managing companies for the Holding Company. In certain circumstances, such Holding Company employees may include former employees of the Adviser, or current or former senior advisors or consultants to the Adviser and its affiliates. The Holding Company's costs and expenses (including compensation for its personnel, which compensation may include, among other things, the granting of profit participation in certain investments of the Holding Company and/or a capital interest in such investments or the underlying assets) would be borne by the Holding Company (and, therefore, indirectly borne by the applicable Fund). Such costs and expenses will not offset the Advisory Fee and are in addition to Advisory Fees and other compensation (e.g., Carried Interest) received by the Adviser. In addition, as the Adviser earns Advisory Fees and Carried Interest from the Funds, the Adviser will benefit from the assets, income and gains of Holding Company.

In addition, from time to time, the Adviser may recruit a management team to pursue a new "platform" opportunity expected to lead to the formation of a future portfolio company. In other instances, a new platform could be formed to recruit an existing or newly formed management team to build such platform through acquisitions and organic growth. In certain circumstances, such platform employees may include former employees of the Adviser, or current or former senior advisors or consultants to the Adviser and its affiliates. The structure of each platform and the engagement of personnel will vary, including whether a management team's services are exclusive to the platform and whether the members of the management team are employed directly by the platform or indirectly through a separate management company established to manage such platform. Platform structures may change during the investments' hold period, for instance, in connection with restructurings or dispositions. The management team of a platform investment provide services with respect to other platform investments of more than one Fund, or provide the same or similar services for unaffiliated parties. The services provided by the platform management team could be similar to, and in some cases overlap with, the services provided by the Adviser to the Funds. The Fund will bear the expenses of the management team or portfolio company, as the case may be, including any overhead expenses, management or other fees, employee compensation (including cash compensation and profits-interest), diligence expenses or other related expenses in connection with backing the management team or the build out of the platform company. Such expenses may be borne directly by the applicable Fund as Fund expenses

or indirectly as the Fund bears the start-up and ongoing expenses of the newly-formed platform portfolio company. Such costs and expenses will not offset the Advisory Fee and are in addition to Advisory Fees and other compensation (e.g., Carried Interest) received by the Adviser.

The Adviser has in the past and may, from time to time in the future, cause one or more Funds to purchase, and/or bear premiums, fees, costs and expenses (including any expenses or fees of insurance brokers) for insurance to insure the applicable Funds, the applicable general partner, the Adviser and/or Adviser Personnel and their respective agents, representatives, members of the advisory committee and other indemnified parties, against liability in connection with the activities of the Funds. This may include a portion of any premiums, fees, costs and expenses for one or more “umbrella” or other insurance policies maintained by the Adviser that cover one or more Funds and/or the Adviser (including Adviser Personnel and their respective agents, representatives, members of the advisory committee and other indemnified parties). The Adviser will make judgments about the allocation of premiums, fees, costs and expenses for such “umbrella” or other insurance policies among one or more Funds, and/or the Adviser on a fair and reasonable basis, and may make corrective allocations should it determine subsequently that such corrections are necessary or advisable. There can be no assurance that a different allocation would not result in a Fund bearing less (or more) premiums, fees, costs and expenses for insurance policies.

The Governing Documents of certain Funds permit the Adviser to cause such Fund to distribute the Adviser’s share of securities resulting from an investment disposition by such Fund to the Adviser in kind, while disposing of investors’ share of such securities and distributing the net cash proceeds of such sale of securities to the investors. This ability creates conflicts of interest between the Adviser and the investors of the applicable Fund, because the Adviser has an incentive to cause the Fund to exit an investment at a time that will result in investors receiving a lesser return on such investment than would be the case if the Adviser was prohibited from receiving its proceeds from investments in kind (or was otherwise required to receive its share of investment proceeds in the same form as investors). Furthermore, the Adviser, or its affiliates, from time to time receive distributions in kind from an investment disposition. In the event the Adviser, or its affiliates, receive such a distribution, the Adviser is permitted to act in its own interest with respect to its share of securities and could determine to sell the distributed securities (which may include selling its securities prior to the time at which the investor sells its distributed securities), or hold on to the distributed securities for such time as the Adviser shall determine. The ability of the Adviser to act in its own interest with respect to such distributed shares creates a conflict of interest between the Adviser or affiliate, as an adviser to the Fund, and the Fund. These conflicts may be exacerbated due to the enhanced knowledge and information the general partner has relative to the limited partners with respect to such securities.

The Governing Documents of certain Funds permit the Adviser to withhold information from certain investors or investors in such Fund in certain circumstances. For instance, certain information will typically be withheld from investors that are subject to Freedom of Information Act or similar requirements. The Adviser will often elect to withhold certain information to such investors for reasons relating to the Adviser’s public reputation or overall business strategy, despite the potential benefits to such investors of receiving such information.

Please see the discussion above under the sub-heading “Resolution of Conflicts” for a description of the means by which the Adviser and its related persons will seek to alleviate conflicts of interest among the Funds or other persons.

## **Item 12. Brokerage Practices**

As the Funds invest primarily in private equity ventures, the Adviser anticipates that investments in publicly traded securities will be infrequent occurrences (e.g., money market instruments pending investment in a portfolio company, securities held as a result of initial public offerings of portfolio companies, going-private transactions, etc.). However, to meet its fiduciary duties to the Funds, the Adviser has adopted written policies to address issues that might arise with respect to purchasing, holding, and selling publicly traded securities.

### **Selection of Brokers and Dealers**

For each of the Funds, the Adviser has sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker or dealer, if any, to be used to effect transactions. In placing each transaction for a Fund involving a broker-dealer, the Adviser will seek “best execution” of the transaction except to the extent it is permitted to pay higher brokerage commissions in exchange for brokerage and research services (as discussed below). “Best execution” means obtaining for a Fund account the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances of the transaction and the reputability and reliability of the executing broker or dealer. Best execution is not limited solely to the consideration of the best available commission rate.

In determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, the Adviser’s investment team takes into account all factors that it deems relevant to the broker’s or dealer’s execution capability, including, by way of illustration, price, the size of the transaction, the nature of the market for the security, the amount of the commission, the timing of the transaction taking into account market prices and trends, the reputation, experience and financial stability of the broker or dealer, and the quality of service rendered by the broker or dealer in other transactions. In addition, the Adviser is permitted to consider the use of Electronic Communications Networks (“ECNs”) when placing trades on behalf of the Funds. When purchasing or selling over-the-counter securities with market makers, the Adviser generally seeks to select market makers it believes to be actively and effectively trading the security being purchased or sold.

In order to monitor best execution, the investment team, in consultation with the CCO, will periodically monitor broker-dealers to assess the quality of execution of brokerage transactions effected on behalf of the Adviser and each Fund.

To the extent consistent with achieving best execution, the Adviser is permitted to also consider other business a particular broker or dealer has done with the Adviser, such as identifying investment opportunities, performing investment banking services and providing services to the Adviser’s principals. The Adviser will from time to time “pay up” (e.g., pay a higher commission to execute a trade than the lowest available negotiated commission) using a portion of a broker-

dealer's brokerage commission (i.e., soft dollars) for brokerage and research services in accordance with Section 28(e) of the Securities Exchange Act of 1934, as amended. A broker-dealer providing such brokerage and research services may receive a commission that is in excess of the amount of commission another broker-dealer would have received for effecting that transaction provided the Adviser determines in good faith that such commission was reasonable in relation to the value of the research and brokerage services provided by the broker-dealer. Any such research service may be broadly useful and of value to the Adviser in rendering investment advice to all or a significant portion of the Funds, or may be relevant and useful for the management of one or only a few Funds' accounts, regardless of whether such account or accounts paid commissions to the broker-dealer through which the research service was provided. The Adviser will only make securities transactions that it in good faith believes are in the best interest of the Fund. A conflict of interest exists when a broker-dealer provides such research services, however, as the Adviser will have an incentive to favor such broker-dealer over others that charge lower commissions.

### **Aggregation of Trades**

The Adviser will from time to time aggregate (or bunch) the orders of more than one Fund for the purchase or sale of the same publicly traded security. The Adviser may employ this practice because larger transactions typically will enable them to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. The Adviser will from time to time combine orders on behalf of Funds with orders for other Funds for which it has trading authority, or in which it has an economic interest. In such cases, the Adviser generally aggregates trade orders for publicly traded securities so that each participating Fund will receive the average price for each execution of a transaction.

If an order for more than one Fund for a publicly traded security cannot be fully executed, allocation shall be made based upon the Adviser's procedures for allocation of investment opportunities, as described in Item 11 above.

## **Item 13. Review of Accounts**

### **Oversight and Monitoring**

The investment portfolios of the Funds are generally private, illiquid and long-term in nature, and accordingly the Adviser's review of them is not directed toward a short-term decision to dispose of securities. However, the Adviser closely monitors the portfolio companies of the Funds and generally maintains an ongoing oversight position in such portfolio companies. The portfolios are reviewed by a team of investment professionals on a periodic basis. The team generally includes Managing Directors and other investment professionals of the Adviser.

### **Reporting**

Investors in the Funds typically receive, among other things, a copy of financial statements of the relevant Fund after the fiscal year end of such Fund. Some Funds also receive quarterly performance reports after each fiscal quarter end. The Adviser will, from time to time, in its sole

discretion, provide additional information relating to such Fund to one or more investors in such Fund as it deems appropriate.

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

For details regarding economic benefits provided to the Adviser by non-clients, including a description of related material conflicts of interest and how they are addressed, please see Item 11 above. In addition, the Adviser and its related persons will, in certain instances, receive discounts on products and services provided by portfolio companies of Funds and/or the customers or suppliers of such portfolio companies.

While not a client solicitation arrangement, the Adviser will from time to time engage one or more persons to act as a placement agent for a Fund in connection with the offer and sale of interests to certain potential investors. Such persons generally will receive a fee in an amount equal to a percentage of the capital commitments for interests made by such potential investors to such Fund that are subsequently accepted. Such Fund will, to the extent contemplated by, and subject to any limitations set forth in, its Governing Documents, reimburse such fees. Advisory Fees received by the Adviser are generally reduced by the amount of such fees paid by the Fund. As some Funds do not pay Advisory Fees, any such reduction will not benefit such Funds.

#### **Item 15. Custody**

As the Adviser relies on the “audit exemption” under the Advisers Act custody rules (i.e., Rule 206(4)-2(b)(4)) with respect to certain Funds, investors in such Funds will not receive account statements from such Funds’ custodians.

#### **Item 16. Investment Discretion**

Investment advice is provided directly to the Funds, subject to the discretion and control of the General Partner of each Fund, and not individually to the investors in such Funds. Services are provided to the Funds in accordance with the applicable Fund’s Governing Documents. Investment restrictions for the Funds, if any, are generally established in the applicable Fund’s Governing Documents.

#### **Item 17. Voting Client Securities**

As the Funds invest primarily in private equity ventures, the Adviser anticipates that investments in publicly traded securities will be infrequent occurrences (e.g., money market instruments pending investment in a portfolio company, securities held as a result of initial public offerings of portfolio companies, going-private transactions, etc.). However, to meet its fiduciary duties to the Funds, the Adviser has adopted written policies to address voting issues that might arise with respect to publicly traded securities.

The Adviser has established written policies and procedures setting forth the principles and procedures by which the Adviser votes or gives consent with respect to publicly traded securities owned by the Funds (“Votes”) to address certain voting issues. The guiding principle by which the Adviser votes all Votes is to vote in the best interests of each Fund by maximizing the economic

value of the relevant Fund's holdings, taking into account the relevant Fund's investment horizon, the contractual obligations under the applicable Fund's Governing Documents, and all other relevant facts and circumstances at the time of the vote. The Adviser does not permit Voting decisions to be influenced in any manner that is contrary to, or dilutive of, this guiding principle.

It is the Adviser's general policy to vote or give consent on all matters presented to security holders in any Vote. However, the Adviser reserves the right to abstain on any particular Vote or otherwise withhold its vote or consent on any matter if, in the judgment of the Adviser's Managing Directors or the other relevant Adviser investment professional, the costs associated with voting such 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.

Funds generally cannot direct the Adviser's Vote.

All Voting decisions initially are referred to the appropriate investment professional for a voting decision. In most cases, the investment professional covering the particular investment will make the decision as to the appropriate vote for any particular Vote. In making such decision, he or she may rely on any of the information and/or research available to him or her. The investment professional will inform the Managing Directors and the CCO of any such Voting decision, and if the Managing Directors and the CCO, after considering the results of the CCO's conflict of interest review and the other factors they deem relevant, do not object to such decision, the Vote will be voted in such manner. If the investment professional, the Managing Directors and the CCO are unable to arrive at an agreement as to how to vote, then the CCO will typically consult with the most senior Managing Director, who will then review the issues and arrive at a decision based on the overriding principle of seeking the maximization of the economic value of the relevant Funds' holdings.

The CCO has the responsibility to monitor Votes for any conflicts of interest, regardless of whether they are actual or perceived. All Voting decisions will require a mandatory conflicts of interest review by the CCO in accordance with these policies and procedures, which will include consideration of whether the Adviser or any investment professional or other person recommending how to vote has an interest in how the Vote is voted that may present a conflict of interest. In addition, all Adviser investment professionals are expected to perform their tasks relating to the voting of Votes in accordance with the principles set forth above, according the first priority to the best interest of the relevant Funds. The CCO will use his or her best judgment to address any such conflict of interest and ensure that it is resolved in accordance with his or her independent assessment of the best interests of the Funds.

Where the CCO deems appropriate in his or her sole discretion, unaffiliated third parties will be used to help resolve conflicts or to otherwise assist the Adviser in fulfilling all or part of its voting obligations. In this regard, the Adviser can retain independent fiduciaries, consultants, or professionals to assist with Voting decisions and/or to which Voting and/or consent powers may be delegated in accordance with its proxy voting policies and procedures.

Copies of relevant proxy logs, identifying how proxies were voted in connection with a Fund and copies of proxy voting policies are available to any client or prospective client upon written request

to: Jennifer Mello, Chief Compliance Officer, Altamont Capital Partners, 400 Hamilton Avenue, Suite 230, Palo Alto, CA 94301.

**Item 18. Financial Information**

Item 18 is not applicable to the Adviser.

**Item 19. Requirements for State-Registered Advisers**

Item 19 is not applicable to the Adviser.