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ZMC Advisors, L.P  
Part 2A of Form ADV  
The Brochure

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This brochure provides information about the qualifications and business practices of ZMC Advisors, L.P. (“ZMC”). If you have any questions about the contents of this brochure, please contact Brian Motechin at (212) 944-2056. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about ZMC is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

ZMC is registered as an investment adviser with the United States Securities and Exchange Commission (“SEC”) under the Investment Advisers Act of 1940 (the “Advisers Act”). Registration as an investment adviser with the SEC does not imply a certain level of skill or training. In addition, the information in this brochure has not been approved or verified by the SEC or by any state securities authority.

## Item 2: Material Changes

As of December 23, 2020, ZMC Advisors, L.L.C., a Delaware limited liability company, converted to a Delaware limited partnership, with a corresponding name change to ZMC Advisors, L.P. This brochure has been amended since the version filed on March 30, 2020 to reflect this change and to update ZMC's assets under management, certain descriptions in ZMC's risk factors and conflicts of interest and custody sections. We encourage all recipients of this brochure to read it carefully in its entirety.

## Item 3: Table of Contents

Item 1: Cover Page .....	1
Item 2: Material Changes .....	2
Item 3: Table of Contents .....	2
Item 4: Advisory Business.....	2
Item 5: Fees and Compensation.....	4
Item 6: Performance Based Fees and Side-by-Side Management.....	13
Item 7: Types of Clients .....	14
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss .....	15
Item 9: Disciplinary Information .....	60
Item 10: Other Financial Industry Activities and Affiliations.....	60
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	61
Item 12: Brokerage Practices.....	62
Item 13: Review of Accounts .....	62
Item 14: Client Referrals and Other Compensation .....	63
Item 15: Custody.....	63
Item 16: Investment Discretion .....	64
Item 17: Voting Client Securities .....	64
Item 18: Financial Information .....	64

## Item 4: Advisory Business

ZMC is an independent private equity firm originally formed under the laws of the state of Delaware as a limited liability company and converted to a Delaware limited partnership as of December 23, 2020, ZMC is 100% owned by its members: Strauss Zelnick, Seymour Sammel, Karl Slatoff, Jordan Turkewitz and Andrew Vogel.

ZMC serves as an investment advisor and provides discretionary advisory services to private investment vehicles, including ZMC L.P. (f/k/a ZM Capital L.P.) and its alternative investment vehicles (together, "Fund I"), ZMC II L.P. (f/k/a ZM Capital II L.P.) and its alternative investment vehicles (together, "Fund II"), ZMC III L.P., its parallel funds and their respective alternative

investment vehicles (together, “Fund III,” and together with Fund I and Fund II, the “ZMC Funds”), and certain other private investment partnerships which co-invest in certain Portfolio Investments (as defined below) made by the ZMC Funds (each, a “Co-Invest Fund” and, together with the ZMC Funds, the “Funds”). The Funds seek to make private equity investments in middle-market media companies and specifically target special situations, management turnarounds and transitional growth opportunities. Although investments are made predominantly in non-public companies, investments in public companies are permitted.

Certain Funds, in certain circumstances, make investments through alternative investment vehicles (“AIVs”) or special purpose vehicles (“SPVs”) that ZMC and its affiliates form to facilitate investments for tax, regulatory, or other structuring reasons. The AIVs and SPVs have not been separately reported or listed herein or in ZMC’s Form ADV Part 1A. Their assets are included in ZMC’s reported regulatory assets under management, the gross asset values of the Funds to which they relate and the amount of client funds and securities in custody.

The following general partner entities are affiliated with ZMC: ZMC Partners, LLC, ZM Titan Partners, LLC, ZM Centerstage Investment LP, ZMC Partners II, L.L.C. and ZMC Partners II (Cayman), L.P., ZMC Partners III, L.L.C. (each a “GP Entity”). Each GP Entity is subject to the Advisers Act pursuant to ZMC’s registration in accordance with SEC guidance. This brochure also describes the business practices of the GP Entities, which operate as a single advisory business together with ZMC.

ZMC was established in 2001 to make private equity investments in media-related companies. From the formation of ZMC in 2001 until the formation of the ZMC Funds in 2008, affiliates of ZMC made seven private equity investments in media-related companies (the “Non-ZMC Fund Investments”), partnering with certain unaffiliated investment firms. ZMC affiliates sourced six of these investment opportunities and presented each to its equity partners. In addition, an affiliate of ZMC entered into a management agreement with certain shareholders of Take-Two Interactive Software, Inc. (“Take-Two”) to oversee and supervise the operations of Take-Two and to provide assistance with respect to formulating its long-term business strategies, securing, negotiating and structuring financings and pursuing strategic transactions. ZMC continues to provide management and advisory services to four of the Non-ZMC Fund Investments.

As of December, 31, 2020, ZMC managed approximately \$2.32 billion on behalf of the Funds on a discretionary basis.

In providing services to the Funds, ZMC formulates the investment objective for each Fund, directs and manages the investment and reinvestment of each Fund’s assets, and provides periodic reports to investors in each Fund. From time to time, where such investments consist of Portfolio Companies, the senior principals or other personnel of ZMC or its affiliates typically serve on such Portfolio Companies’ respective boards of directors or otherwise act to influence control over management of Portfolio Companies in which the Funds have invested. Investment advice is provided directly to each Fund and not individually to the limited partners, members or similar investors in any Fund. ZMC manages the assets of each Fund in accordance with the terms of the governing documents applicable to each such Fund (each, a “Fund Agreement”).

Investors in the Funds participate in the overall investment program for the applicable Fund, but in certain circumstances are excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the relevant Fund Agreement; such arrangements generally do not and will not create an adviser-client relationship between ZMC and any investor. The Funds or the GP Entities have entered into side letters or other similar agreements (“Side Letters”) with certain investors that have the effect of establishing rights (including economic or other terms) under, or altering or supplementing the terms of, the relevant Fund Agreement with respect to such investors.

Additionally, from time to time and as permitted by the relevant Fund Agreement, ZMC expects to provide (or agree to provide) co-investment opportunities (including the opportunity to participate in co-invest vehicles) to certain investors or other persons, including other sponsors, market participants, finders, consultants and other service providers, ZMC’s personnel and/or certain other persons associated with ZMC and/or its affiliates (e.g., a vehicle formed by ZMC’s principals to coinvest an annually specified percentage alongside a particular Fund’s transactions). Such co-investments typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle (including a coinvesting Fund) purchases a portion of an investment from one or more Funds after such Funds have consummated their investment in the Portfolio Company (also known as a post-closing sell-down or transfer), which generally will have been funded through Fund investor capital contributions and/or use of a Fund credit facility. Any such purchase from a Fund by a co-investor or co-invest vehicle generally occurs shortly after the Fund’s completion of the investment to avoid any changes in valuation of the investment. Where appropriate, and in ZMC’s sole discretion, ZMC reserves the right to charge interest on the purchase to the co-investor or co-invest vehicle, and to seek reimbursement to the relevant Fund for related costs. However, to the extent such amounts are not so charged or reimbursed, they generally will be borne by the relevant Fund.

Interests in the Funds are not registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and the Funds are not registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”). Accordingly, interests in the Funds are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements of private transactions within the United States.

## **Item 5: Fees and Compensation**

### ZMC Funds

**Management Fees.** ZMC receives an investment management fee payable quarterly in advance (the “Management Fee”) from each ZMC Fund in connection with the provision of advisory services to its clients. The ZMC Funds are generally charged the Management Fee with respect to each limited partner that equals 2.0% per annum of each limited partner’s capital commitment to such ZMC Fund during its commitment period; thereafter, the Management Fee is 2.0% per annum of each limited partner’s capital contributions with respect to Portfolio Investments made by such ZMC Fund which have not been disposed of at the beginning of the fiscal quarter. Generally,

limited partners joining a ZMC Fund after its initial closing contribute their allocable share of the Management Fee that otherwise would have been payable had all limited partners been admitted at the initial closing, plus an additional amount (“Additional Amount”) charged from the date such Management Fees would have been paid. For Fund I, the Additional Amount is the prime rate plus 2%. For Fund II and Fund III, the Additional Amount is the greater of (i) the prime rate plus 2% and (i) 8%. Each limited partner’s share of the Management Fee (other than any Additional Amounts) will reduce its unfunded commitments to the ZMC Fund. Management Fees are generally due quarterly in advance and are pro-rated based on the number of days elapsed in such period. In the event than an advisory contract is terminated before the end of a Management Fee period, ZMC will refund the overpayment of the Management Fee (computed on the basis of the number of days elapsed). Where the Fund Agreements calculate Management Fees based on the amount of commitments or the amount of investment contributions, the amount of Management Fees generally will not be reduced based on reductions in investment value, except where specified by the relevant Fund Agreements. As a general matter, Management Fees will be payable during term extensions unless otherwise agreed with investors.

The precise amount of, and the manner and calculation of, the Management Fees for each ZMC Fund are established by ZMC through negotiations with investors in the applicable ZMC Fund, and are set forth in the applicable Fund Agreements. The Management Fees described above are generally subject to waiver or reduction by ZMC in its sole discretion, both voluntarily and on a negotiated basis with select investors. Fees can differ from one ZMC Fund to another, as well as among investors in the same ZMC Fund. In certain cases, the rate of Management Fees payable by any investors in the ZMC Funds will be lower the larger the size of the investment in the ZMC Funds made by the investor.

**Carried Interest Allocations.** Carried interest is a share of the net profits realized on the investments paid to each ZMC Fund’s general partner as an incentive for ZMC to maximize the performance of such ZMC Fund. The ZMC Funds are generally subject to a carried interest of 20% of profits derived from investments, including their disposition and current income generated by such investments, after limited partners receive a preferred return of 8% per annum. The ZMC Funds’ general partners are also subject to a claw back pursuant to the terms of each Fund Agreement, which requires that the general partner return, at the termination of the relevant ZMC Fund, any carried interest paid to it in excess of the amount that it is entitled to receive. In addition to this final claw back, the Fund II general partner is subject to an interim claw back each time carried interest is to be distributed to the Fund II general partner following the end of Fund II’s commitment period. To the extent such proposed carried interest distribution would cause the Fund II general partner to receive an amount of carried interest in excess to what it would otherwise be entitled, assuming that all remaining unrealized investments are sold for their fair market value (an “Interim Deficiency”), all or a portion of the proposed carried interest distribution up to the Interim Deficiency will be placed into escrow. These escrowed amounts can be released to the Fund II general partner at any time after the commitment period if there is no Interim Deficiency at such time or will be released to the Fund II limited partners or general partner, as applicable, at the final claw back. See Item 6 – “Performance Based Fees and Side- by-Side Management” below for more information regarding carried interest paid by the ZMC Funds.

ZMC is permitted to exempt certain exempted investors in the Funds from payment of all or a portion of Management Fees and/or carried interest, including ZMC and any other person designated by ZMC. A GP Entity reserves the right to make any such exemption from fees and/or carried interest by a direct exemption, a rebate by ZMC and/or its affiliates, or through other Funds which co-invest with the related Fund.

**Other Fees.** In addition, ZMC and its affiliates perform management, advisory, and other services (including serving on the board of directors) (“Related Services”) for, and receive fees from, actual or prospective Portfolio Companies (as defined below) or other investment vehicles of ZMC Funds, including fees in connection with mergers, acquisitions, add-on acquisitions, refinancings, public offerings, sales, and similar transactions. These fees are often substantial and may be paid in cash, in securities of the Portfolio Companies or investment vehicles (or rights thereto) or otherwise. The terms of such fee agreements typically provide for a periodic fee which is either fixed or determined based on the performance of the Portfolio Company. The terms of a monitoring agreement, in certain instances, provide for an acceleration of fees paid to ZMC or its affiliate upon termination following certain milestones, such as an initial public offering or sale, and where the lump-sum termination fee may be calculated as the present value of hypothetical foregone future payments (which in some cases extend past the term of a ZMC Fund and may be based on an assumed growth in EBITDA or other metric used to calculate the fee) and be calculated using a discount rate as low as the risk-free rate, as determined by ZMC. Furthermore, fees for Related Services are often established upon the initial consummation of an investment. In many cases with respect to the implementation of such arrangements, there is not an independent third-party involved on behalf of the relevant Portfolio Company. 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. In the event that ZMC or a Principal or employee, on behalf of ZMC, receives stock of a Portfolio Company as fees or compensation for serving on the board of such Portfolio Company, ZMC or the recipient of stock potentially will act in its own interest and may determine to sell or hold onto the distributed securities for such time as it shall determine, which creates a conflict of interest between ZMC and/or its related persons, on the one hand, and the ZMC Fund, on the other.

The Management Fee payable by each ZMC Fund is subject to offset by certain of the fees described above and shared with the ZMC Fund’s limited partners (excluding limited partners affiliated with ZMC) pursuant to an offset formula defined in the Fund Agreements.

For Fund I, the Management Fee is reduced by the Fund’s Share (as defined below) of the following amounts (without duplication):

- (i) first, (A) 50% of the Fund’s Share of the first \$2 million of any cash and non-cash fees (“Monitoring Fees”) paid to or received by ZMC and its affiliates from a Portfolio Company that are accrued in any fiscal year in connection with the ongoing management and operations services provided to such Portfolio Company, plus (B) 80% of the Fund’s Share of any Monitoring Fees accrued by such Portfolio Company in excess of \$2 million in any fiscal year; and

(ii) second, (A) 50% of the Fund's Share of all acquisition, directors', consulting, investment banking, closing, topping, break-up and other similar fees (collectively, "Other Fees") received by ZMC and its affiliates during the fiscal year that for each Portfolio Company do not together exceed the greater of (x) \$500,000 per fiscal year and (y) 2.5% of the enterprise value of such Portfolio Company per fiscal year, plus (B) 80% of the Fund's Share of all Other Fees received by ZMC and its affiliates during such fiscal year in excess of \$500,000 or 2.5% of the Portfolio Company's enterprise value, as determined in good faith by ZMC at the time of investment or follow-on investment, as applicable.

For Fund II, the Management Fee is reduced by (i) first, 75% of the Fund's Share of any Monitoring Fees accrued by each Portfolio Company in any fiscal year and (ii) second, 75% of the Fund's Share of all Other Fees received by ZMC and its affiliates during the fiscal year. For Fund III, the Management Fee is reduced by (i) first, 80% of the Fund's Share of any Monitoring Fees accrued by each Portfolio Company in any fiscal year and (ii) second, 80% of the Fund's Share of all Other Fees received by ZMC and its affiliates during the fiscal year.

The remaining portion of any Monitoring Fees or Other Fees that is not applied to reduce Management Fees in the manner described above ("Supplemental Fees") generally will be retained by ZMC. The Management Fees for the ZMC Funds are further reduced by 100% of any Placement Fees (as defined below) and, in the case of Fund II and Fund III, any expenses incurred in connection with the organization of Fund II and the marketing and offering of interests therein which are in excess of \$2 million in the aggregate ("Excess Organizational Expenses).

The "Fund's Share" of Monitoring Fees, Other Fees, Placement Fees and Excess Organizational Expenses (if applicable) subject to the foregoing Management Fee offsets is determined, with respect to each ZMC Fund, by allocating such fees and expenses among such ZMC Fund and any of its parallel funds, successor funds, other funds affiliated with its general partner and any unaffiliated persons investing alongside such fund, as applicable (together, the "Investing Entities"), based upon the ratio of the aggregate capital contributions made by such ZMC Fund with respect to the related Portfolio Investment to capital contributions made by all Investing Entities with respect to the related Portfolio Investment (or capital commitments in the case of net break-up and topping fees). Each Fund's Share of Management Fee offsets is further allocated among its limited partners who pay Management Fee pro rata based upon their respective capital contributions to the related Portfolio Investment (or capital commitments in the case of net breakup and topping fees).

Certain Fund Agreements permit ZMC to waive or agree to reduce the Management Fee. Certain waived portions of the Management Fee are treated by the Fund Agreement as a deemed capital contribution by the relevant GP Entity, which is effectively invested in the relevant ZMC Fund on such GP Entity's behalf, and operates to reduce the amount of capital such GP Entity would otherwise be required to contribute to such ZMC Fund. The limited partners of such ZMC Fund would, in such circumstances, be required to make a pro rata contribution according to their respective capital commitments to fund any contribution that would otherwise be required of ZMC in connection with any such waiver or reduction as described above and, as a result, the exercise of such waiver may result in an acceleration (or delay) of investor capital contributions. Waived or

reduced Management Fees are not subject to the Management Fee offsets described above, and the amount of such waived or reduced Management Fees has the potential to be significant.

The Fund Agreements permit ZMC and its affiliates to receive fees (including fees of the type described by the term “Other Fees”) from companies other than Portfolio Companies and their affiliates, including Co-Invest Funds, and those involved in the ZMC Funds’ unconsummated transactions. ZMC and such affiliates have no obligation to reduce or offset the Management Fees described above in respect of such fees or share such fees in any way with investors.

The foregoing Management Fee offsets are net of out-of-pocket expenses incurred by ZMC or its affiliates in connection with the transactions or services out of which such fees arose that are not reimbursed by the relevant ZMC Fund or Portfolio Company. To the extent the foregoing offsets would reduce the Management Fee for a given quarterly period below zero, such offsets are carried forward and reduce future installments of the Management Fee. If any such offsets remain upon dissolution of a ZMC Fund, ZMC will pay to each limited partner that elected at the time of its admission to the relevant ZMC Fund to receive its pro rata share of any remaining offsets, its pro rata share of such remaining amounts in cash.

Detailed information regarding the fees charged to the ZMC Funds is provided in each ZMC Fund’s confidential private placement memorandum (the “Confidential Private Placement Memoranda”) and Fund Agreement. Each ZMC Fund will generally pay all fees, costs, expenses, liabilities and obligations directly or indirectly arising out of, relating to or attributable to the Fund’s and/or its direct or indirect subsidiaries’ or other holding companies’ activities, business, Portfolio Companies or actual or potential investments (to the extent not borne or reimbursed by a Portfolio Company or potential portfolio company), including all expenses directly or indirectly arising out of, relating to or attributable to: (i) activities with respect to the structuring, organizing, sourcing, developing, investigating, negotiating, consummating, financing, syndicating, refinancing, acquiring, bidding on, owning, managing, monitoring, operating, holding, hedging, restructuring, trading, taking public or private, selling, valuing, winding up, liquidating, dissolving or otherwise disposing of, as applicable, the Portfolio Companies and the Fund’s actual and potential investments (including follow-on investments and refinancings) or evaluating, negotiating or otherwise seeking to do any of the foregoing (including any associated legal, financing, banking, commitment, transaction or other fees and expenses payable to attorneys, accountants, investment bankers, lenders, financing sources, diligence providers, software and service providers, advisors, Operating Partners (as defined below), consultants and similar professionals, respectively, in connection therewith), and communications regarding the foregoing, any expenses relating to transactions that may have been offered to or undertaken by co-investors, including Broken Deal Expenses (as defined below); (ii) indebtedness of, or guarantees made by, the Fund, its GP Entity, ZMC or any “affiliated partner” on behalf of or in respect of the Fund (including any margin loan, credit facility, letter of credit or similar credit support), including interest with respect thereto, or evaluating, negotiating or seeking to put in place any such indebtedness or guarantee; (iii) financing, commitment, origination and similar expenses; (iv) broker, dealer, underwriting (including both commissions and discounts), loan administration, private placement, sales, investment banker, finder and similar services; (v) brokerage, sale, custodial, depository, agent bank and other bank, transfer, registration, trustee, record keeping, account and similar services; (vi) legal, accounting, research, auditing, administration (including



expenses associated with the Fund's third-party administrator and administration or reporting software or services, if any), information, appraisal, advisory, valuation (including third-party valuations, appraisals or pricing services for existing or prospective Portfolio Companies or other Portfolio Investments), consulting (including consulting and retainer fees and other compensation paid to Operating Partners (as defined below) and other consultants performing investment-related activities and other similar consultants), tax and other professional services; (vii) reverse breakup fees, termination fees and other similar fees (including reimbursement); (viii) directors and officers liability, errors and omissions liability (a portion of which benefits ZMC), crime coverage and general partnership liability premiums and other insurance (including any insurance for data breaches and other cyber risks) and regulatory expenses, subject to clause (xi) below; (ix) filing, title, transfer, registration and similar matters; (x) printing, communications, marketing, publicity, and similar services undertaken on behalf of or with respect to the Fund, Portfolio Companies, prospective Portfolio Companies or actual or potential investments of the Fund; (xi) financial, tax, administrative, compliance or regulatory filings, reports, matters or functions, including the preparation, distribution or filing of financial statements, tax returns, tax estimates, Schedule K 1s or other filings or reports, in each case arising out of, relating to or attributable to, in whole or in part, the Fund or its investments (i.e., those expenses that would not arise but for the specific operation or investment activity of the Fund), except as allocated to other funds advised by ZMC, including the expenses of or pertaining to (A) any filings required under the U.S. Securities Exchange Act of 1934, as amended (including, without limitation, Form 3, Form 4, Form 13F, Form 13H, Schedule 13D filings and Schedule 13G filings), (B) any forms, schedules, reports, filings, information or other documents prepared with respect to the U.S. Foreign Account Tax Compliance Act, the Common Reporting Standard issued by the Organisation for Economic Cooperation and Development and any other comparable non-U.S. filings, (C) any reports to be filed with the U.S. Commodities Futures Trading Commission, (D) Form PF, and (E) any forms, schedules, reports, filings, information or other documents contemplated by the European Union ("EU") Alternative Investment Partnership Managers Directive or any similar law, rule or regulation, in each case including expenses of any third-party service providers and professionals related to the foregoing; (xii) developing, licensing, implementing, maintaining or upgrading any web portal (e.g., such as Intralinks or other similar web portal provider, etc.), extranet tools, computer software or other administrative or reporting tools (including subscription-based services) for the benefit of the Fund, the Portfolio Companies or the limited partners; (xiii) any activities with respect to protecting the confidential or non-public nature of any information or data; (xiv) to the extent provided for in the Fund Agreement, or otherwise approved by the GP Entity in its sole discretion, activities or proceedings of the LP Advisory Committee (as defined below) (including any reasonable out-of-pocket expenses incurred by representatives of the GP Entity, the LP Advisory Committee members (as defined below) (if such meeting is not concurrent with the annual meeting of the Fund), permitted observers and other persons in attending or otherwise preparing for or participating in meetings of the LP Advisory Committee (as defined below)) and the fees and expenses of legal counsel and other advisors selected by the LP Advisory Committee (as defined below) in accordance with the Fund Agreement; (xv) indemnification (including any expenses incurred in connection with indemnifying any partner or other person pursuant to the Fund Agreement and advancing expenses incurred by any such person in defense or settlement of any claim that may be subject to a right of indemnification pursuant to the Fund Agreement), except as otherwise set forth in the Fund Agreement; (xvi) any actual, threatened or otherwise anticipated litigation, governmental inquiry, investigation, proceeding, mediation,

arbitration or other dispute resolution process directly or indirectly arising out of, relating to attributable to or otherwise involving the Fund, including any judgment, other award or settlement entered into or fines paid in connection therewith; (xvii) any annual limited partner meeting or other periodic, if any, meetings of the limited partners and any other conference or meeting with any limited partner(s) (regardless of whether all of the individuals attending or otherwise participating in such meetings are limited partners); (xviii) except as otherwise determined by the GP Entity in its sole discretion, any expense directly or indirectly arising out of, relating to, attributable to or otherwise involving any alternative investment vehicle or intermediate vehicle (including any blocker corporation (and related expenses) or holding partnership) or their formation, operation, dissolution, other activities, business, portfolio companies or actual or potential investments that would be a Fund expense or organizational expense (ignoring the cap thereon) if it were incurred in connection with the Fund or its investments; (xix) the termination, liquidation, winding up or dissolution of the Fund and related entities and any alternative investment vehicle or intermediate vehicle of the Fund; (xx) defaults by partners in the payment or timely payment of any capital contributions; (xxi) amendments to, and waivers, consents or approvals pursuant to, the constituent documents of the Fund and related entities and any alternative investment vehicle or intermediate vehicle of the Fund, including the preparation, distribution and implementation thereof; (xxii) complying with any law or regulation related to the activities of the Fund (including legal and regulatory expenses of the GP Entity incurred in connection with the operation of the Fund and legal expenses); (xxiii) any litigation or governmental inquiry, investigation or proceeding involving the Fund, including the amount of any judgments, settlements or fines paid in connection therewith, except as set forth in the Fund Agreement; (xxiv) any third-party experts, including independent appraisers engaged in connection with the Fund considering, making or holding an investment in the same entity as one or more other ZM-sponsored funds; (xxv) unreimbursed expenses incurred in connection with any transfer or proposed transfer by a limited partner; (xxvi) any taxes, fees and other governmental charges levied against the Fund and all expenses incurred in connection with any tax audit, investigation settlement or review of the Fund (except to the extent that the Fund is reimbursed therefor by a partner such tax, fee or charge is or treated as having been distributed to a partner pursuant to the Fund Agreement); (xxvii) distributions to the partners and other expenses associated with the acquisition, holding and disposition of the Fund's investments, including extraordinary expenses; (xxviii) unreimbursed expenses and unpaid fees of the Operating Partners (as defined below); (xxix) any travel (including, where appropriate as determined by the GP Entity, the cost of chartering private aircraft or other private air travel, lodging, meals or entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities (any such expenses incurred in connection with unconsummated investment and disposition opportunities, "Broken Deal Expenses"); (xxx) any organizational expenses; (xxxi) any placement fees; and (xxxii) any other expenses approved by the LP Advisory Committee (as defined below). Out-of-pocket expenses associated with completed transactions, including reasonable travel expenses, are generally reimbursed by Portfolio Companies or capitalized as part of the acquisition price of the transaction. Generally included in the expenses permitted to be borne by a Fund are the fees, costs, expenses, liabilities and obligations of legal counsel, consultants and/or other service providers to procure, develop, establish, review, revise, customize, upgrade and/or negotiate relationships relating to the foregoing items, which generally are expected to be significant. In certain cases, these or similar expenses (and/or Supplemental Fees) are expected to be charged to Portfolio Companies,

capitalized into the cost basis of a transaction or, to the extent necessary or desirable for operational, administrative, tax or other reasons, charged at the level of an intermediate holding company between the relevant Fund and the Portfolio Company.

Each ZMC Fund will generally bear all Broken Deal Expenses in connection with its co-investment opportunities and similar arrangements, including any third-party investor's share of such Broken Deal Expenses; however, such ZMC Fund will not be obligated to pay such expenses if such investment is ultimately completed by such ZMC Fund's general partner or its affiliates (other than such ZMC Fund). As a general matter, Broken Deal Expenses are allocated among Fund investors regardless of whether any individual investor negotiated for an elective or automatic contractual right that would have excused them from participating in the investment. In addition, ZMC, such ZMC Fund, its GP Entity and/or any of their respective affiliates may incur certain out-of-pocket costs and expenses in developing, negotiating and structuring prospective investments that are not ultimately made, including Broken Deal Expenses. If a prospective counterparty in an unconsummated transaction reimburses such ZMC Fund or any of its affiliates for any Broken Deal Expenses (such amount, the "Reimbursed Amount"), the ZMC Fund general partner or its affiliates reserve the right, in their sole discretion, to share any or all of such Reimbursed Amount with third-party investors that participate in co-investment opportunities or similar arrangements to the extent such third-party investors incurred costs and expenses in connection with such unconsummated deals. As a result of these sharing arrangements, such ZMC Fund will likely not be reimbursed for 100% of its Broken Deal Expenses. Similarly, if a prospective counterparty pays such ZMC Fund or any of its affiliates a break-up fee in connection with an investment that ultimately does not close, the ZMC Fund general partner reserves the right, in its sole discretion, to share any or all of such break-up fee with third-party investors that participate in co-investment opportunities or similar arrangements. As a result, such ZMC Fund will likely not receive 100% of such break-up fees.

Gen II Fund Services, LLC provides certain fund administration services to the Funds, which are borne by investors therein as fund expenses.

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

Investors should review all fees charged by ZMC and its affiliates to fully understand the total amount of fees to be paid by the ZMC Funds and, indirectly, their limited partners. ZMC retains flexibility to structure its compensation from investor and expects in certain circumstances to agree to invoice and investor directly for Management Fees or other compensation rather than deducting such amounts from the investor's capital account(s).

Each Fund also generally will bear the costs of implementing, monitoring and complying with investment guidelines and directives relating to the Fund's strategy, including in Side Letters relating thereto and (where applicable) environmental, social, governance and other standards to which the relevant GP entity has committed in making investments on behalf of the Fund. Additionally, subject to the Fund Agreements, a Fund typically will bear certain unreimbursed expenses of portfolio companies and intermediate holding vehicles through which the Fund invests.

**Operating Partners.** Additionally, as further described herein and in the relevant Fund Agreements, it is ZMC’s practice to engage one or more senior personnel with significant industry, transactional, investment, operating or other experience to provide services to assist the GP Entities, ZMC, the Funds, any parallel fund, any alternative vehicle or intermediate vehicle or a Portfolio Investment or prospective portfolio investment on various matters and/or support ZMC, the GP Entities and/or their respective investment professionals in connection with their investment and/or operational activities on behalf of such personnel (in such capacity, an “Operating Partner”) including sourcing investments, conducting due diligence, facilitating transaction execution and overseeing investments.

Any fees and expenses of an Operating Partner, including any upfront retainer or consulting fees and broken deal expenses, incurred in connection with serving as an investment advisor, director, employee, consultant or in a similar capacity to any of the foregoing with respect to a Portfolio Company, prospective portfolio company, Portfolio Investment or prospective portfolio investment (including seeking to identify prospective businesses for a roll-up or similar transaction), and including any indemnity expenses of or on behalf of the Operating Partners, will be Fund expenses to the extent not paid or reimbursed to the relevant Fund by a Portfolio Company or prospective portfolio company. For the avoidance of doubt, the Operating Partners also expect to receive fees or salaries in the form of cash or incentive equity compensation or other stock awards, from Portfolio Companies and their affiliates, and ZMC and its affiliates will have no obligation to reduce the Management Fee in respect of such fees or other compensation or share such fees or other compensation in any way with the Funds or the limited partners, and such amounts may reduce other payment obligations of the GP Entities and ZMC to such Operating Partners. Compensation in the form of profits or equity interests in a portfolio company or intermediate holding company generally has a dilutive impact on the Fund’s investment, and the relevant Fund typically will bear the costs of all Operating Partner compensation as well as fees, costs and expenses of structuring Operating Partner arrangements. The use of Operating Partners subjects ZMC to potential conflicts of interest, as discussed under “Conflicts of Interest,” below.

#### Co-Invest Funds

ZMC does not currently receive any management fees with respect to any of the Co-Invest Funds, although the terms of each Co-Invest Fund are subject to negotiation with the investors thereof and future Co-Invest Funds may provide for the payment of a management fee. ZMC’s performance based fees and other compensation payable with respect to profits interests in such Co-Invest Funds are established at the time of the formation of the relevant vehicle and are highly negotiated with participating investors prior to making their respective investment, and these profits interests vary on an investment-by-investment basis. Typically, an affiliate of ZMC will receive performance based payments from Co-Invest Funds only after all contributed capital is returned to the other investors, in an amount of up to 20% of the profits of such Co-Invest Fund. In addition, co-investment fees realized by ZMC or its affiliate and the costs that the co-investor bears, including the extent to which a co-investor would share in any Broken Deal Expenses, are negotiated by ZMC or its affiliate on a case-by-case basis. This will likely result in the ZMC Fund investors bearing all such Broken Deal Expenses. Investors in the Co-Invest Funds are encouraged to

carefully review the applicable Fund Agreements for details concerning such performance based fees.

#### Placement Fees

To the extent a ZMC Fund incurs fees, commissions and expenses (including interest thereon) of a placement agent or other person hired by its general partner to solicit investors (“Placement Fees”), such ZMC Fund will bear such Placement Fees, and its limited partners’ shares of the Management Fees (to the extent Placement Fees are paid by the ZMC Fund with respect to such limited partners’ respective investments in the Fund) will be reduced on a dollar-for-dollar basis. Certain limited partners who are prohibited by law or policy from directly or indirectly paying Placement Fees do not pay any share of a ZMC Fund’s Placement Fees and thus do not receive any corresponding reduction of their Management Fees.

#### Advisor Expenses

Expenses incurred in connection with the provision of advisory services to our clients, including fees and expenses incurred for investor reporting (excluding any costs and expenses relating to the establishment and maintenance of a web- or software-based investor reporting portal) and with respect to registering and complying with the U.S. Securities and Exchange Commission and maintaining such registration, including preparing and updating Form ADV (but, for the avoidance of doubt, excluding any fees and expenses specifically related to a Fund’s organization and holdings, including Form PF and other filings related to the offering of Fund interests in particular jurisdictions), are borne by ZMC.

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

As described above, ZMC or its affiliates receive a carried interest of up to 20% from each Fund, which calculation is based on the profits generated on the sale or disposition of Fund assets, as well as current income generated from such assets.

The carried interest creates an incentive for the general partners of the Funds to make more speculative investments and make different decisions regarding the timing and manner of the realization of such investments, than would be made if such carried interest were not allocated to the general partners. ZMC manages this potential conflict of interest by ensuring that no single person makes material investment decisions; instead, investment decisions are made by an investment committee, which consists of the managing members of the general partner of each ZMC Fund. In addition, the general partner of each ZMC Fund generally maintains interests in the ZMC Funds on the same basis (except with respect to the payment of Management Fees and carried interest) as outside investors; this also serves to alleviate the incentive to engage in riskier or more speculative investments. Lastly, the presence and participation of third-party co-investors in each Co-Invest Fund reduces the likelihood that ZMC or its affiliate can negotiate to receive excess carried interest from such Co-Invest Fund at the expense of the applicable ZMC Fund participating in the same investment.

Additionally, in order to mitigate and opine upon potential conflicts of interest, each of the ZMC Funds has established an independent advisory committee (each, an “LP Advisory Committee”) consisting of limited partners unaffiliated with ZMC who have been selected by the general partner of each ZMC Fund as representatives of such ZMC Fund’s limited partners. The purpose of the LP Advisory Committee is to: (i) consult with the general partner with respect to any matter as to which the general partner determines in good faith creates a conflicts of interest; (ii) give consents required of the “client” under the Advisers Act; and (iii) provide advice and counsel on other issues requested by the general partner or required pursuant to the governing documents of the relevant ZMC Fund in connection with other potential conflicts of interest, valuation matters, additional fees received by the general partner and other matters relating to the relevant ZMC Fund. No fees are paid to the members of an LP Advisory Committee, but the members may be reimbursed for reasonable out-of-pocket expenses incurred in connection with attending meetings of an LP Advisory Committee.

None of the Funds invest in or share any investment opportunities with any of the Non-ZMC Fund Investments.

## **Item 7: Types of Clients**

ZMC provides investment advice solely to its Fund clients, and references throughout this brochure to “clients” and to ZMC’s related duties to and practices on behalf of its clients and/or investors should be construed accordingly. Investors in the ZMC Funds consist primarily of high net worth individuals and related trusts, corporate and public pension plans, pooled investment vehicles (e.g. funds of funds), school trusts, charitable foundations and endowments and insurance companies. Investors in the Co-Invest Funds are typically limited partners in the ZMC Funds or third parties who have expressed an interest in, and have the ability and resources to, participate in such co-investment opportunities. The minimum commitment for a limited partner of a ZMC Fund is outlined in each ZMC Fund’s Confidential Private Placement Memorandum; however, ZMC maintains discretion to accept less than the minimum investment threshold.

Investors are required to meet certain suitability qualifications, such as being an “accredited investor” within the meaning set forth in Rule 501(a) of Regulation D under the Securities Act, being a “qualified purchaser” as set forth in Section 3(c)(7) of the Investment Company Act and being a “qualified client” as defined in Rule 205-3 under the Advisers Act. Also, limited partners are required to make certain representations when investing in a ZMC Fund, including, but not limited to that (i) they are acquiring an interest for their own account, (ii) they received or had access to all information they deem relevant to evaluate the merits and risks of the prospective investment and that (iii) they have the ability to bear the economic risk of an investment in the ZMC Fund. Details concerning applicable investor suitability criteria are set forth in the respective ZMC Fund’s Confidential Private Placement Memorandum and subscription materials, which are furnished to each limited partner.

## Co-Investment

Where appropriate, ZMC provides certain (but not all) investors in the ZMC Fund or third parties the opportunity to co-invest, typically through a Co-Invest Fund. These Co-Invest Funds are organized by ZMC to facilitate specific investments alongside a particular ZMC Fund, taking into account the applicable ZMC Fund's investment limitations, the size of the investment opportunity and the demand among potential co-investors. ZMC will allocate the available investment among applicable ZMC Fund, any Co-Invest Fund and any other third parties as it may in its sole discretion determine.

## Alternative Investment Vehicles

Alternative investment vehicles may be used whenever the general partner of a ZMC Fund determines in good faith that for legal, tax, regulatory or other reasons it is in the best interests of any or all of its limited partners that all or any portion of a particular investment be made through an investment structure outside of such ZMC Fund. Participants in such investments are generally required to make all or a portion of their investments through such alternative investment vehicle, which invests in lieu of the applicable ZMC Fund, and are required to make capital contributions directly to each such alternative investment vehicle to the same extent, for the same purposes and on the same terms and conditions as limited partners are required to make capital contributions to such ZMC Fund. Each such limited partner has the same economic interest in all material respects in the investment made through an alternative investment vehicle as such limited partners would have if such investment had been made by the applicable ZMC Fund, and the other terms of such alternative investment vehicle are substantially identical in all material respects to those of such ZMC Fund, to the extent applicable.

## Non-ZMC Investments

Prior to forming Fund I, affiliates of ZMC completed the seven Non-ZMC Fund Investments as a fundless sponsor, in which ZMC affiliates partnered with one or more other private equity firms who provided all or substantially all of the capital and a ZMC affiliate served as the "management partner." For six of these investments, such ZMC affiliate sourced the investment opportunity and presented it to the relevant equity partner. In addition, an affiliate of ZMC entered into a management agreement to oversee and supervise the operations of Take-Two and to provide assistance with respect to formulating its long-term business strategies, securing, negotiating and structuring financings and pursuing strategic transactions. ZMC continues to have a highly active role in the management of four of these companies (generally serving as non-executive chairman of the board of directors or a similar role) and has significant influence on the operating performance, growth trajectory and strategic transactions of these investments. Significant investment decisions, however, including the terms of the initial investment and realization of the investment, may require the approval of each relevant equity partner (in consultation with ZMC).

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

ZMC seeks to leverage its understanding of the media and communications industries to target and acquire companies that it believes will benefit from macro industry trends. The specific sectors that ZMC targets include, but are not limited to, direct marketing, market research and information services, as well as certain segments of the television, radio, out-of-home advertising, publishing, communications and music businesses.

The ZMC Funds' investment objective is to generate significant capital appreciation by making private investments ("Portfolio Investments") principally in equity or equity-oriented securities (including preferred stock and debt securities purchased in connection with equity investments, or which offer equity-like returns) of media companies ("Portfolio Companies"). The ZMC Funds and, to the extent applicable, the Co-Invest Funds broadly target two types of investment opportunities: (i) special situations or management turnarounds and (ii) transitional growth companies. ZMC typically sources deals by (i) identifying trends believed to have a potentially significant impact on the media and communications industries, (ii) proactively and repeatedly building and maintaining industry relationships with entrepreneurs, C-level executives and corporate development departments of major media and communications companies and (iii) participating in active auction processes and capitalizing on failed auctions. ZMC's investment approach includes value investing, operating driven diligence, conservative use of leverage and structuring for downside protection.

The ZMC Funds seek investment opportunities typically ranging from \$20 million to \$250 million in middle-market companies with enterprise values typically ranging from \$50 million to \$500 million, including the active targeting of out-of-favor sectors and contrarian opportunities where valuations are discounted and potential returns are enhanced. The ZMC Funds have the ability to target larger Portfolio Investments or Portfolio Companies and, in such cases, invite co-investors to participate through a Co-Invest Fund to keep the ZMC Fund's investment within the preferred size range. The ZMC Funds utilize a broad range of transaction structures, including management and leveraged buyouts, recapitalizations, corporate divestitures, privately negotiated control and minority investments, consolidations and roll-ups, spin-offs and carve-outs, and growth equity investments.

The investment activities of the ZMC Funds are directed by key investment professionals, Strauss Zelnick, Seymour Sammel, Karl Slatoff, Jordan Turkewitz and Andrew Vogel (collectively, the "Principals"). The Principals are supported by ZMC's investment professionals. ZMC's investment decision-making process generally includes informal, collaborative discussions on an ongoing basis and a formal approval by the Principals for each new investment. The subsequent Portfolio Company monitoring processes, which are designed to ensure the timely and successful execution of each investment's business plan, involve periodic reviews of valuation parameters, investment performance, and disposition opportunities.

All investing involves a risk of loss and the investment strategy offered by ZMC could lose money over short or even long periods. An investment in a Fund is a speculative investment and is not intended as a complete investment program. It is designed for sophisticated investors who fully understand and are capable of bearing the risk of an investment in a Fund. No guarantee or representation is made that a Fund will achieve its investment objective or that limited partners



will receive a return of their capital. Investors should review in detail the applicable Fund Agreement prior to making an investment in such Fund.

Risks and potential conflicts of interest include, but are not limited to, the following:

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

**Illiquidity.** An investment in a Fund should be viewed as illiquid and requires a long-term commitment with no certainty of return. The market value of investments will fluctuate with, among other things, changes in market rates of interest, general economic conditions, economic conditions in particular industries, the condition of financial markets and the financial condition of the obligors of the investments. In addition, the lack of an established, liquid secondary market for some investments may have an adverse effect on the market value of those investments and on a Fund's ability to dispose of them. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. Furthermore, the expenses of operating a Fund (including the Management Fee payable to ZMC) may exceed its income, thereby requiring that the difference be paid from the Fund's capital, including, without limitation, unfunded commitments.

**No Assurance of Investment Return.** Although most investments are expected to generate current income, such investments may take several years from the date of the initial investment to reach a state of maturity when realization of such investments can be achieved. In addition, there can be no assurances that any distributions of current income will be made due to various factors, including incurrence of expenses and liabilities, potential non-performance or write downs of Fund investments, paying down outstanding financing or changes in the market for debt obligations. Furthermore, the expenses of operating a Fund (including the Management Fee payable to ZMC) may exceed its income, thereby requiring that the difference be paid from the Fund's capital, including unfunded commitments. Additionally, the reinvestment and recycling of proceeds will further delay the distribution of current income.

**Reliance on the GP Entity and ZMC.** Control over the operation of a Fund will be vested with the related GP Entity and ZMC, and a Fund's future profitability will depend largely upon the business and investment acumen of the Principals. The loss or reduction of service of one or more of the Principals could have an adverse effect on a Fund's ability to realize its investment objectives. There can be no assurance that each of the Principals will continue to be affiliated with the Funds throughout their anticipated terms. In addition, the Principals currently, and may in the future, manage other investment funds besides the Funds (including, potentially new product lines) and the Principals may need to devote substantial amounts of their time to the investment activities of such other funds as well as the launch of such additional product lines, which may pose conflicts of interest in the allocation of the business time and attention of the Principals. Limited partners generally have no right or power to take part in the management of the relevant Fund and, as a result, the investment performance of a Fund will depend on the actions of the related GP Entity and ZMC. In addition, certain changes in ZMC or circumstances relating to ZMC would, if they

were to occur, have an adverse effect on a Fund or one or more of its Portfolio Companies including potential acceleration of debt facilities.

**Unspecified Investments.** A Fund may be unable to find a sufficient number of attractive opportunities that meet its investment objectives. It is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified. In addition, the relevant GP Entity and ZMC have broad discretionary power to decide what investments a Fund will make and what strategies it will use. While ZMC currently intends to use the strategies described herein, it is not obligated to do so except as otherwise set forth in the relevant Fund Agreement, and a Fund may employ other investment techniques and invest in other instruments that the related GP Entity believes will help achieve the Fund's investment objective or hedge unforeseen risks, whether or not such investment techniques or instruments are specifically described herein.

**Dynamic Investment Strategy.** While a GP Entity generally intends to seek attractive returns for the related Fund primarily through making control-oriented private equity investments, the GP Entity is permitted to pursue additional investment strategies and/or modify or depart from its initial investment strategy, investment process and investment techniques as it determines appropriate. A GP Entity is permitted to pursue investments outside of the industries and sectors in which the Principals have previously made investments or have internal operational experience.

**Market Conditions.** The capital markets have experienced great volatility and financial turmoil. Moreover, governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) may have a negative effect on market conditions. General fluctuations in the market prices of securities and economic conditions generally may reduce the availability of attractive investment opportunities for a Fund and may affect a Fund's ability to make investments. Instability in the securities markets and economic conditions generally (including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates) may also increase the risks inherent in a Fund's investments and could have a negative impact on the performance and/or valuation of the Portfolio Companies. A Fund's performance can be affected by deterioration in the capital markets and by market events, such as the onset of the credit crisis in the summer of 2007 or the downgrading of the credit rating of the United States in 2011, which, among other things, can impact the public market comparable earnings multiples used to value privately held Portfolio Companies and investors' risk-free rate of return. Movements in foreign exchange rates may adversely affect the value of investments in Portfolio Companies and the Funds' performance. Volatility and illiquidity in the financial sector may have an adverse effect on the ability of a Fund to sell and/or partially dispose of its Portfolio Investments. Such adverse effects may include the requirement of a Fund to pay break-up, termination or other fees and expenses in the event the Fund is not able to close a transaction (whether due to the lenders' unwillingness to provide previously committed financing or otherwise) and/or the inability of the Fund to dispose of investments at prices that its GP Entity believes reflect the fair value of such investments. The impact of market and other economic events may also affect a Fund's ability to raise funding to support its investment objectives and also the level of profitability (if any) achieved on realizations of investments.

**Highly Competitive Market for Investment Opportunities.** In general, a Fund will operate in a highly competitive market for investment opportunities. The activity of identifying, acquiring

and successfully disposing of Portfolio Companies is highly competitive and involves a high degree of uncertainty. The availability of investment opportunities generally will also be subject to market conditions. In particular, in light of changes in such conditions, including changes in the availability and cost of debt financing, certain types of investments may not be available to a Fund on terms that are as attractive as the terms on which opportunities were available to predecessor funds. Potential competitors include other investment funds and corporations, business development companies, strategic industry acquirers and other financial investors investing directly or through affiliates. In recent years, an ever-increasing number of private equity funds and hedge funds have been formed (and many such existing funds have grown in size). Other funds may have investment objectives that overlap with the Funds, which may create competition for investment opportunities. Some competitors may have a lower cost of funds and access to funding sources that are not available to a Fund, and may have higher risk tolerances, different risk assessments or different return thresholds or priorities, which could allow them to consider a wider variety of investments and establish more relationships. It is possible that competition for appropriate investment opportunities may increase, thus reducing the number of opportunities available to a Fund and adversely affecting the terms upon which Portfolio Investments can be made. There can be no assurance that a Fund will be able to identify or consummate Portfolio Investments satisfying its investment criteria or that such investments will satisfy a Fund's rate of return objectives. Likewise, there can be no assurance that a Fund will be able to realize upon the values of its investments or that it will be able to invest its committed capital. To the extent that a Fund encounters competition for investments, returns to limited partners may decrease.

**Deterioration of Credit Markets May Affect Ability to Finance and Consummate Investments.** The deterioration of the global credit markets in the last several years has made it more difficult for investment funds such as the Funds to obtain favorable financing for investments. A widening of credit spreads, coupled with the deterioration of the sub-prime and global debt markets and a rise in interest rates, has dramatically reduced investor demand for high yield debt and senior bank debt, which in turn has led some investment banks and other lenders to be unwilling to finance new private equity investments or to only offer committed financing for these investments on unattractive terms. A Fund's ability to generate attractive investment returns may be adversely affected to the extent the Fund is unable to obtain favorable financing terms for its investments. Moreover, to the extent that such marketplace events are not temporary and continue, they may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the United States and global economies. Such marketplace events also may restrict the ability of a Fund to realize its investments at favorable times or for favorable prices.

**Financial Market Fluctuations.** General fluctuations in interest rates and the market prices of securities and other assets may adversely affect the value of the Portfolio Investments held by a Fund. Instability and volatility in interest rates and the securities markets may also increase the risks inherent in a Fund's Portfolio Investments, as Portfolio Companies may need to refinance their outstanding debt as it matures. The ability of Portfolio Companies to refinance debt securities may depend on their ability to sell new securities in the public high-yield debt or equity markets or to borrow from banks or other lenders, which may not be achievable on favorable terms or at all. Companies within certain industries have generally experienced higher volatility than the overall securities markets and hence are subject to greater risk. There is a risk that Portfolio

Companies may not be able to refinance existing debt or that the terms of any refinancing may not be as favorable as the terms of their existing financing arrangements. If prevailing interest rates or other factors at the time of refinancing result in higher interest rates upon refinancing, then the interest expense relating to that refinanced indebtedness would increase. These risks could adversely affect a Fund's cash flows and the return on its investments.

**Market Dislocation.** Events in the U.S. fixed income markets have caused significant dislocations, illiquidity and volatility in the U.S. structured credit, leveraged loan and high-yield bond markets, the effects of which have spilled over into the wider global financial markets. This has been followed by a significant deterioration in the United States and global financial and banking systems. A prolonged disruption may prevent a Fund from advantageously realizing on or disposing of its Portfolio Investments. To the extent that such marketplace events continue (or even worsen), this may have an adverse impact on the availability of credit to a Fund, and the assets, businesses and entities in which it invests and the terms on which such credit is available, and could lead to further overall weakening of the U.S. and global economies. A sustained downturn in the United States or global economy (or any regional economy or any particular segment thereof) could adversely affect the profitability and financial resources of a Fund and its ability to make principal and interest payments on, or refinance, outstanding debt when due. Any of the foregoing events could result in substantial or total losses to a Fund in respect of certain investments, which losses will likely be exacerbated by the presence of leverage in the capital structure of entities or businesses in which the Fund invests and may also cause a decrease in the availability of financing, an increase in the interest cost and more stringent ratios, tests and requirements on the part of lenders to Portfolio Companies, which may impair the Fund's ability to consummate certain transactions or cause the Fund to enter into such transactions on less attractive terms. Such marketplace events may also restrict the ability of a Fund to sell or liquidate investments at favorable times or favorable prices. There can be no assurance as to the duration of the current market dislocation. Absent a recovery in current market conditions or in the event of a further market deterioration, the value of a Fund's investments may not appreciate as projected or may suffer a loss.

**Uncertain Economic, Social and Political Environment.** Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of a Fund and its Portfolio Companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by a Fund and result in longer holding periods for Portfolio Investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon a Fund's Portfolio Companies.

**Nature of Investments.** In general, a Fund will invest principally in equity or equity-related securities or other instruments which offer equity-like returns of middle-market media and communication companies generally with enterprise values of less than \$500 million. The value of such securities is predicated on the underlying cash flow and assets of such companies, including the value of goodwill, each of which may be subject to greater volatility, illiquidity and risk than large capitalization companies. The value of the investment may change over the life of an instrument which may cause a Fund to suffer a partial or total loss of capital invested in a portfolio company. In general, the companies and securities in which a Fund will invest generally will not be rated by a credit rating agency.

**Investment Risks Generally.** An investment in a Fund involves a high degree of risk, including the risk that the entire amount invested may be lost. Any losses of a Fund will be borne solely by limited partners in the Fund and not by the GP Entity (except to the extent of the GP Entity's investment in the Fund, and in such case only to the extent of its investment pro rata with the other partners in the Fund). A Fund will invest in securities and other financial obligations using strategies and investment techniques with significant risk characteristics, including risks arising from the volatility of global financial markets, the risks of leverage and the potential illiquidity of portfolio investments. No guarantee or representation is made that a Fund's investment program will be successful, that a Fund will achieve its targeted returns, or that there will be any return of capital invested to partners in a Fund.

**Concentration of Investments in the Media Industry.** Subject to the investment limitations under the relevant Fund Agreement, a Fund will participate in a limited number of investments which will be concentrated in the media and communications sectors, and may seek to make several or most of its investments within a short period of time. As a result, a Fund's investment portfolio is likely to become highly concentrated by sector, vintage and/or number of companies, and the performance of a few holdings or of such related industries and the market during this time may substantially affect its aggregate return and may expose the Fund to losses disproportionate to those incurred by the market in general if the areas in which the Fund's investments are concentrated are disproportionately adversely effected by price movements. Furthermore, to the extent that the capital raised is less than the targeted amount, the relevant Fund may invest in fewer Portfolio Companies and thus be less diversified.

In addition, media and communication companies in the United States, Canada, Europe and elsewhere are undergoing rapid change as a result of evolving government regulations, development of new technologies, changing market conditions and new or improved competing products and services. The Funds' Portfolio Companies will compete in this volatile environment. There is no assurance that products or services provided by Portfolio Companies will not be rendered obsolete or adversely affected by competing products or services or that Portfolio Companies will not be adversely affected by regulatory changes or other challenges.

**Technology/Media/Telecommunications.** The market for technology is characterized by periodic new product introductions, innovations and evolving industry standards. The emerging nature of these products and services with their rapid evolution will require technology companies that are portfolio investments of a Fund to continually improve the performance, features and reliability of their products or services, particularly in response to possible competitive offerings.

The increasing sophistication of consumers, among other factors, means that there can be no assurance that these companies will be successful in achieving widespread acceptance of their products or services before competitors offer products and services with features and performance similar to those of such technology companies. In addition, the widespread adoption of new technologies or standards could require substantial expenditures by such technology companies to modify or adapt their products or services. Such expenditures could affect the profitability of these technology companies and in turn the operating results and financial condition of a Fund.

A Fund may make investments in communications companies. Communications companies are subject to changes in their businesses due to evolving levels of governmental regulation or deregulation as well as the development of communication technologies. Competitive pressures within the communications industry are intense and the securities of communications companies may be subject to significant price volatility. In addition, because the technology and communications industries are subject to significant changes in technology, the companies that a Fund may invest in may face competition from technologies being developed or to be developed in the future by other entities, which may make such companies' products and services obsolete. Finally, while all companies may be susceptible to network security breaches, certain technology and communication companies may be particular targets of hacking and potential theft of proprietary or consumer information or disruptions in service, which could have a material adverse effect on their businesses.

**Investments in Middle-Market Companies.** Investment in private, middle-market companies involves a number of significant risks. Generally, little public information exists about these companies, and a Fund will rely on ZMC's and its affiliates' ability to obtain, through its own diligence and/or through third-party diligence, adequate information to evaluate the potential returns from investing in these companies. If ZMC is unable to uncover all material information about these companies, the relevant GP Entity may not make a fully informed investment decision, and the Fund may lose money on its investments. Middle-market companies may have limited financial resources and may be unable to meet their obligations, which may be accompanied by a deterioration in the value of the Portfolio Company and a reduction in the likelihood of the Fund realizing the proceeds of any subsequent sale or other disposition. In addition, such companies typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns. Additionally, middle-market companies are more likely to depend on the management talents and efforts of a small group of persons. Therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on one or more of the obligors of investments that the Fund holds and, in turn, on the Fund. Middle-market companies also may be parties to litigation and may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence. Investment in middle-market companies therefore involves a high degree of business and financial risk, which can result in substantial losses and, accordingly, should be considered speculative.

**Risks in Effecting Operating Improvements.** A key element of a Fund's investment strategy depends, in part, on the ability to restructure and effect improvements in the operations of a Portfolio Company, including with the help of the Operating Partners. The activity of identifying and implementing restructuring programs and operating improvements at Portfolio Companies

entails a high degree of uncertainty. There can be no assurance that the Funds will be able to successfully identify and implement such restructuring programs and improvements. The loss of one or more Operating Partners may have an adverse effect on the ability to implement such changes.

**Investments in Corporate Divestitures and Less Established Companies.** In general, a Fund expects to invest a portion of its assets in the securities of companies that have been formed through divestitures from larger corporations. Investments in such companies may involve greater risks than generally are associated with investments in more established companies. Companies that are divested from larger corporations have no experience operating as separate stand-alone entities and may not have accounting, human resources or other systems in place to support their operations. Such companies may also require extensive restructuring, new management expertise and a significant commitment of financial and managerial resources from a Fund. Less established companies tend to have smaller 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 and in many cases will have negative cash flow. Some of the Portfolio Investments may be considered highly speculative and may result in the loss of a Fund's entire investment. There can be no assurance that any such losses will be offset by gains (if any) realized on the Fund's other investments.

**Assumption of Contingent Liabilities.** In connection with a Portfolio 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 the Portfolio Company. In addition, if a Fund has assumed or guaranteed these liabilities, the obligation would be payable from the assets of the Fund, including the unfunded commitments of limited partners.

**Contingent Liabilities on Disposition of Investments.** In connection with the disposition of an investment in a Portfolio Company, a Fund may be required to make representations about the business and financial affairs of such company typical of those made in connection with the sale of a business. A Fund also may be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate or with respect to certain potential liabilities. These arrangements may result in the incurrence of contingent liabilities for which the relevant GP Entity may establish reserves or escrow accounts. Reserves, escrow accounts and similar holdbacks would delay the return of proceeds to limited partners. In that regard, limited partners may also be required to return amounts distributed to them to fund the Fund's obligations, including indemnity obligations, subject to certain limitations set forth in the Fund Agreement.

**Risks Relating to Due Diligence of and Conduct at Portfolio Companies.** Before making Portfolio Investments, ZMC will typically conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each portfolio investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants, investment bankers and/or other third parties may be involved in the due diligence process to varying degrees depending on the type of investment. Such involvement of third-party advisors or consultants

presents a number of risks primarily relating to the relevant GP Entity's reduced control of the functions that are outsourced or underwritten by third parties. In addition, if ZMC is unable to timely engage third-party providers, its ability to evaluate and acquire more complex targets could be adversely affected. When conducting due diligence and making an assessment regarding an investment, ZMC will rely on the resources available to it, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that ZMC carries out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. A Fund's prospective Portfolio Companies may be subject to certain governmental regulations and/or controls, which may imply a greater likelihood of post-acquisition audits or greater scrutiny of such prospective Portfolio Company's operations. Moreover, such an investigation will not necessarily result in the portfolio investment being successful. There can be no assurance that attempts to provide downside protection with respect to portfolio investments will achieve the desired effect and potential investors should regard an investment in a Fund as being speculative and having a high degree of risk. While a GP Entity expects to negotiate purchase price adjustments, termination rights and other protections, such rights may not be available or, if available, the GP Entity may elect not to exercise them.

In many cases, a GP Entity believes the related Fund might benefit significantly from an ability to consummate complicated investments quickly or lose out on an opportunity if it fails to do so. In these cases, the Fund will conduct less diligence or have access to less information. In such instances the Fund would be less likely to uncover potentially negative information about such company and/or investment and may assume the risks of obtaining certain consents or waivers under contractual obligations.

There can be no assurance that a Fund will be able to detect or prevent irregular accounting, employee misconduct or other fraudulent practices during the due diligence phase or during its efforts to monitor Portfolio Investments on an ongoing basis. Conduct occurring at Portfolio Companies, even activities that occurred prior to the Fund's investment therein, could have an adverse impact on the Fund.

In the event of fraud or other criminal behavior by any Portfolio Company or any of its affiliates, a Fund may suffer a partial or total loss of capital invested in that Portfolio Company. In addition, investments are subject to the possibility of material misrepresentation or omission on the part of the Portfolio Company or the seller. Such inaccuracy or incompleteness may adversely affect the value of the Fund's securities and/or other instruments issued by such Portfolio Company. Where applicable, a Fund will rely upon the accuracy and completeness of representations and warranties made by Portfolio Companies and/or such Portfolio Companies' former owners to the extent reasonable when it makes its investments, but cannot guarantee such accuracy or completeness. Moreover, a Fund may have limited or no recourse in the event of a material breach of such representations and warranties, particularly if the Portfolio Company was a public company.

**Investments in Turnaround Situations.** The Funds may make investments in Portfolio Companies that are experiencing or are expected to experience financial difficulties, including in companies that are producing net losses or negative operating EBITDA. The Funds will rely upon the Principals' operating and management skills to restructure the companies' operations and



restore profitability. There can be no assurance that the Principals will be successful in implementing such changes or that the companies' financial difficulties will be overcome. In addition, such investments could subject the Funds and limited partners to certain additional potential liabilities. For example, under certain circumstances, payments to the Funds and distributions by the Funds to the limited partners may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payout.

**Reliance on Portfolio Company Management Teams.** Although ZMC will monitor the performance of each Fund investment, it will primarily be the responsibility of each Portfolio Company's management team, or any successor, to operate such Portfolio Company on a day-to-day basis. Although a Fund generally intends to invest in companies with strong management or recruit strong management, including, if applicable, the Operating Partners, for such companies, there can be no assurance that the management of such companies will be able or willing to successfully operate a company in accordance with the Fund's objectives. Additionally, Portfolio Companies will need to attract, retain and develop executives and members of their management teams. The market for executive talent is, notwithstanding general unemployment levels or developments within a particular industry, extremely competitive. There can be no assurance that Portfolio Companies will be able to attract, develop, integrate or retain suitable members of their management teams and, as a result, the Fund and its investments may be adversely affected.

In addition, a Fund expects to acquire businesses or divisions that have been divested from strategic sellers and do not have centralized management structures or teams. There can be no assurance that such Portfolio Companies will be able to successfully build management structures and attract and retain suitable management personnel.

**Use of Leverage at the Portfolio Company Level.** Certain Funds will frequently make use of leverage by, for example, having Portfolio Companies incur debt to finance a portion of their investments in such Portfolio Companies, including in respect of companies not rated by credit agencies. Leverage generally magnifies both the Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines). The state of the broader credit markets is difficult to accurately forecast and, as a result, it may be difficult at times for the Fund to obtain or maintain the desired degree of leverage. In these circumstances, the Fund would be required to deploy additional commitments, to the extent available, which would further increase concentration. The use of leverage also typically imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service and may impair its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of Portfolio Companies will increase the exposure of the Fund's investments to any deterioration in a Portfolio Company's condition or industry sector, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of the Fund's investments in the leveraged Portfolio Companies in a down market. In the event any Portfolio Company cannot generate adequate cash flows to meet its debt service, the Fund may suffer a partial or total loss of capital invested in the Portfolio Company, which could adversely affect the returns of the Fund. Furthermore, should the credit markets be limited or costly at the time a Fund determines that it is desirable to sell all or a part of a Portfolio Company, the Fund may not achieve an exit multiple or

enterprise valuation consistent with its forecasts. Moreover, the companies in which a Fund will invest generally will not be rated by a credit rating agency.

Principal and interest payments on indebtedness (including loans having “balloon” payments) may be required regardless of the sufficiency of cash flow from the investments. Loans requiring “balloon” payments may involve greater risks than loans where the principal amount is fully or partially amortized over the term of the loan, since the ability to repay the outstanding principal amount of a “balloon” loan may be dependent upon the liquidity of the Portfolio Company or the ability to obtain adequate replacement financing, which will, in turn, be dependent upon interest rates and lenders’ policies at the time of refinancing, economic conditions in general and the value of the underlying investment. There is no assurance that replacement financing will be available to make “balloon” payments or that any replacement financing available will be on favorable terms. Lenders or other holders of senior positions to a Fund’s equity will be entitled to a preferred cash flow prior to the Fund receiving a return on leveraged Portfolio Companies, and in the event a Portfolio Company is unable to generate sufficient cash flow to meet the principal and interest payments on its indebtedness or where there is a breach of a performance covenant, the value of the Fund’s equity investment in such Portfolio Company could be significantly reduced or even eliminated and distributions may be reduced or suspended to repay the borrowings.

**Use of Leverage at the Fund Level.** A Fund is permitted to borrow money, generally on a short-term basis, or guarantee indebtedness (such as a guarantee of a Portfolio Company’s debt) or other obligations at the Fund level. The use of leverage by a Fund generally also will result in fees, interest expense and other costs to the Fund that may not be covered by distributions made to the Fund or appreciation of its investments. In addition, to the extent a Fund incurs leverage (or provides such guarantees), such amounts are permitted to be secured by commitments and such capital contributions may be required to be made directly to the lenders instead of the Fund. A GP Entity is authorized to use Fund-level borrowing to pay Management Fees and to reimburse ZMC for expenses incurred on behalf of the Fund.

A GP Entity may obtain or cause the related Fund to obtain one or more revolving or other credit facilities which may be secured by commitments, as well as other assets of the Fund. A Fund may use such credit facilities to cover partnership expenses, provide bridge financing, or provide interim financing for an investment in anticipation of the receipt of permanent financing or capital contributions or distributions. In the event of a failure to pay or other event of default under any such credit facility, the lenders could require investors to fund their entire remaining unpaid commitments. In addition, the terms of such borrowings may limit the investors’ ability to use their interests in the Fund as collateral for other indebtedness.

Required repayments of debt and related interest can adversely affect a Fund’s operating performance. The Fund may have significant credit facilities as well as holding and operating company debt for which the Fund provides a guarantee or equity support agreement, each of which may be subject to these various risks. The Fund may also incur additional debt in connection with future acquisitions or investments by the Fund or Portfolio Companies. The Fund, in some instances, may borrow under an existing credit facility or borrow new funds to acquire investments. In addition, a Fund is permitted to incur or increase its leverage by obtaining loans secured by a portfolio of some or all of the Portfolio Investments acquired. In the event that a Fund is unable

to repay any credit facility borrowings from its cash flows, the Fund may be required to dispose of investments or otherwise withhold distributions to repay the lender(s). If the Fund is required to dispose of investments in order to repay lender(s) at an inopportune time or on an expedited basis, it may not realize as much value upon such disposition as it would receive in connection with an orderly disposition.

A Fund's credit facilities frequently will contain restrictions, requirements and other limitations on the Fund's ability to incur indebtedness, including financial covenants and asset-level covenants in the case of non-recourse financing. The Fund's ability to borrow under its credit facilities and, in certain cases, its ability to respond to changes in the performance of its investments are subject to these financial and other covenants. The Fund may also have to pay break funding costs if it satisfies a debt fully or partially within a certain period of incurring the debt. The Fund may be limited in its ability to respond to changing operational circumstances with respect to an investment in ways it would have done had it not been subject to asset-level covenants.

Prospective investors should note that calculations of net internal rate of return ("IRR") in respect of investment and performance data, and with respect to a Fund, as reported to limited partners from time to time, are based on the payment date of capital contributions received from limited partners. This treatment also applies in instances where the Fund utilizes borrowings under the Fund's subscription-based credit facility in advance of receiving capital contributions from limited partners to repay any such borrowings and related interest expense. As a result, use of a subscription-based credit facility generally will result in a higher reported net IRR than if the facility had not been utilized and instead such limited partners' capital had been contributed at the inception of an investment.

**Bridge Financing.** From time to time and subject to the relevant provisions of the Fund Agreement, a Fund will provide interim financing to a Portfolio Company, including in anticipation of a future issuance of equity, equity-related or long-term debt securities, in anticipation of another refinancing or sell-down of interests to co-investors or where such Portfolio Company has an identified short-term financing need. Such bridge financings may be convertible into a more permanent, long-term security; however, for reasons not always in a Fund's control, such long-term securities issuance or other refinancing or sell-down may not occur and such bridge investments and interim investments may remain outstanding and be treated as a permanent investment in such Portfolio Company. A GP Entity will determine in its sole discretion the terms, including the interest rate (if any) or other price to be charged, applicable to the Portfolio Company co-investors or other parties acquiring or refinancing bridge financings from the related Fund. Such interest rate, or price or other terms may not adequately reflect the Fund's cost of capital or the risk such investment would not be sold or refinanced. In such event, the interest rate or other terms of such investments may not adequately reflect the risk associated with the position taken by the Fund. Compliance with the concentration limitation under the Fund Agreement will be measured solely at the time the applicable investment or bridge financing is made. To the extent that a bridge financing becomes a permanent investment, the Fund will not be deemed to have violated its concentration limits, if any, under the Fund Agreement.

**Investments in Equity Securities.** In general, a Fund will hold equity securities or derivatives issued thereon by, or written with respect to, Portfolio Companies (or their affiliates). Such equity

securities and derivatives may take various forms, including, but not limited to, common stock, preferred stock, warrants, convertible securities, equity options and other equity or hybrid equity securities. Equity securities generally represent the most junior position in an issuer's capital structure and, as such, generally entitle holders to an interest in the assets of the issuer, if any, remaining after all more senior claims to such assets have been satisfied. Holders of common stock generally are entitled to dividends only if and to the extent declared by the directors of the issuer, out of the issuer's income or other assets available, if any, after making interest, dividend and any other required payments on more senior securities of the issuer. Convertible securities generally offer lower interest or dividend yields than non-convertible securities of similar quality. In the event of a liquidation of the issuing company, holders of convertible securities would be paid after the company's creditors but before the company's common stockholders. Consequently, the issuer's convertible securities generally may be viewed as having more risk than its debt securities, but less risk than its common stock. In general, options, warrants, stock purchase rights and other similar instruments are securities or instruments granting the right to or otherwise permitting, but not obligating, their holders to subscribe for equity securities, and they do not represent any rights in the assets of the issuer. As a result, options, warrants, stock purchase rights and other similar securities or instruments may be considered more speculative than other types of equity investments.

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

**Investment in Troubled Assets.** A Fund may make investments in nonperforming, underperforming or other troubled assets, under-capitalized companies or other restructurings which involve a degree of financial risk and are experiencing or are expected to experience severe financial difficulties. Such challenges may never be overcome and, as a result, may lead to a loss of some or all of the Fund's investment. These investments may have been originated by financial institutions that are insolvent, in serious financial difficulty or no longer in existence and, as a result, the standards by which such investments were originated, the recourse to the selling institution or the standards by which such investments are being serviced or operated may be adversely affected. In addition, certain of the Funds' investments may become subject to compromise or discharge under the U.S. Bankruptcy Code. Investments in entities which later file for relief as debtors in proceedings under Chapter 11 of the U.S. Bankruptcy Code may, in certain circumstances, be subject to litigation which could further impair the value of the investment. Under certain circumstances, payments to a Fund and distributions by a Fund to the limited partners may be reclaimed in such proceedings if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment or the equivalent under the laws of certain jurisdictions.

**Reorganization Proceedings.** A Fund may make investments 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 Company to become subject to bankruptcy proceedings. Such investments could, in certain circumstances, subject the Fund to certain additional potential liabilities that may exceed the value of the Fund's original investment therein. For example, under certain circumstances, a lender that 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 Fund and distributions by the Fund to the limited partners 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 Portfolio Companies with Significant Real Estate Holdings.** A Fund may make investments in Portfolio Companies with significant real estate holdings that will be subject to the risks inherent in the ownership and operation of real estate and real estate-related businesses and assets. These risks include, but are not limited to, the burdens of ownership of real property, general and local economic conditions, the supply of and demand for properties, energy and supply shortages, undisclosed or unknown environmental liabilities, changes in building, environmental and other laws or regulations, natural disasters, changes in tax rates, changes in interest rates and the availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable, negative developments in the economy that depress consumption and travel activity, contingent liabilities on disposition of assets, uninsured or uninsurable casualties, acts of God, terrorist attacks and war and other factors which are beyond the control of a GP Entity or ZMC. There can be no assurance that there will be a ready market for resale of such Portfolio Companies' real estate and real estate-related assets because such investments will generally not be liquid. Illiquidity may result from the absence of an established market for such investments, as well as legal or contractual restrictions on their resale by the Portfolio Company or the Funds.

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

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

**Minority Investments.** A Fund may hold and may invest in meaningful minority stakes in privately-held companies and in some cases may have limited minority protection rights. In

addition, during the process of exiting investments, a Fund at times may hold minority equity stakes of any size such as might occur if Portfolio Companies are taken public. As is the case with minority holdings in general, such minority stakes in Portfolio Companies that a Fund may hold may lack some or all of control characteristics of majority stakes in such Portfolio Companies, as well as the valuation premiums accorded majority or controlling stakes, and such Portfolio Companies may be controlled or influenced by persons who have economic or business interests or goals or tax or other considerations that differ from or are inconsistent with those of the Fund or its limited partners. Where a Fund holds a minority stake, it will be more difficult for the Fund to liquidate its interests than it would be had the Fund owned a controlling interest in such company. Even if a Fund has contractual rights to seek liquidity of the Fund's minority interests in such companies, it may be very difficult to sell such interests or seek a sale of such company upon terms acceptable to the Fund, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals.

**Proprietary Rights.** Many target Portfolio Companies rely on a combination of patent, copyright, trademark and trade secret protection and non-disclosure agreements to establish and protect proprietary rights. There can be no assurance that a Fund or a Portfolio Company will be able to protect these rights or will have the financial resources to do so, or that competitors will not develop technologies substantially equivalent or superior to a company's technologies. While piracy will generally adversely affect Portfolio Company revenue, the impact on revenue from outside the United States may be even more significant, particularly in countries where laws are less protective of intellectual property rights. The absence of harmonized patent laws around the world makes it more difficult to ensure consistent respect for patent rights. Reductions in the legal protection for software intellectual property rights in any country or jurisdiction could adversely affect Portfolio Companies.

**Third-Party Infringement Claims.** A Fund (or an affiliate thereof) or a Portfolio Company may, from time to time, receive notices from others claiming the Fund (or an affiliate thereof) or such Portfolio Company (or a third party using a Portfolio Company's products or services) has infringed their intellectual property rights. The number of these claims may grow because of constant technological change in the media and communications sector, increased user-generated content, the extensive patent, copyright and trademark coverage and trade secret protections of existing technologies, and the rapid rate of issuance of new patents, copyrights, trademarks and trade secret protections. Additionally, Portfolio Companies may license products and licensing authors or third parties may allege that a Portfolio Company has not complied with the conditions of one or more of these licenses. To resolve these and other intellectual property infringement claims, the Fund and/or Portfolio Companies may enter into royalty and licensing agreements on unfavorable terms, stop selling or redesign affected products, or pay damages to satisfy indemnification commitments with customers. These outcomes may cause operating margins of the relevant Portfolio Companies, and ultimately, the Fund, to decline. In addition to monetary damages, in some jurisdictions plaintiffs can seek injunctive relief that may limit or prevent importing, marketing and selling products that have infringing technologies. In some countries, such as Germany, an injunction can be issued before the parties have fully litigated the validity of the underlying patents.

**Public Company Holdings.** A Fund's investment portfolio may contain debt and/or equity securities issued by publicly held companies. Such investments may subject the Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies and investments, limitations on the ability of the Fund to dispose of such securities and debt at certain times, increased likelihood of shareholder litigation and insider trading allegations against such companies' executives and board members, including the Principals, and increased costs associated with each of the aforementioned risks.

**Risks of Multi-Step Acquisitions.** In the event a Fund chooses to effect a transaction by means of a multi-step acquisition (such as a first-step cash tender offer or stock purchase followed by a merger or in the case of a simultaneous acquisition and concurrent merger of two separate companies), there can be no assurance that the subsequent steps can be completed on attractive terms or at all. This could result in the Fund having limited or no control over the investment or access to its cash flows to service debt incurred in connection with the acquisition. In addition, some or all of the risks applicable to toehold investments may also apply, as discussed below.

**Distressed Investments.** A Fund may invest in the securities and obligations, including debt obligations that are in covenant or payment default, of companies experiencing significant financial difficulties and material operating issues, including companies that may have been, are or will become involved in bankruptcy proceedings or other restructuring, recapitalization or liquidation processes. Investments in such companies involve a substantial degree of risk that is generally higher than the risk involved in investing in companies that are not in financial or operational distress. Given the heightened difficulty of the financial analysis required to evaluate distressed companies, there can be no assurance that ZMC will correctly evaluate the value of the assets of a distressed company securing its debt and other obligations or correctly project the prospects for the successful restructuring, recapitalization or liquidation of such company. Therefore, in the event that a Portfolio Company does become involved in bankruptcy proceedings or a restructuring, recapitalization or liquidation is required, the Fund may lose some or all of its investment or may be required to accept illiquid securities with rights that are materially different than the original securities in which the Fund invested.

**Toehold Investments.** A Fund may accumulate minority positions in the securities of potential Portfolio Companies, including public companies. While ZMC may seek to achieve such accumulation through investments such as private placements, negotiated transactions, open market purchases or registered tender offers, a Fund may be unable to accumulate a sufficiently large position in a target company to execute its strategy. Moreover, the Fund may otherwise be unsuccessful in executing its strategy or may forego further implementation of its strategy. In addition, the Fund may dispose of its position in the target company at an inopportune time and there can be no assurance that the price at which the Fund can sell such securities will not have declined since the time of acquisition. This may be exacerbated by the fact that (i) securities of the companies that the Fund may target may be thinly traded, (ii) the Fund's position may nevertheless have been substantial, (iii) speculation following the Fund's investment may increase the securities' price and (iv) the Fund's disposal may depress the market price for such securities, all of which will increase the risk of loss. Also, if a toehold investment is in publicly listed

securities, certain filings may be required under the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, in respect of such toehold investment, including, without limitation, Form 3, Form 4, Form 13F, Form 13H, Schedule 13D filings and Schedule 13G filings. In addition, filings under the Hart-Scott Rodino Act may be required, as well as other filings with regulatory agencies if the investment is in a company that is in a regulated industry. Certain of these regulatory filing obligations could delay, impede or prevent the Fund from executing its investment strategy, or require advance disclosure of the Fund's plans, proposals or intentions pertaining thereto, any of which could negatively impact the Fund's investments or investment opportunities.

**Director Liability.** In general, a Fund will often seek to obtain the right to appoint one or more representatives to the board of directors (or similar governing body) of the companies in which it invests. Serving on the board of directors (or similar governing body) of a Portfolio Company exposes the Fund's representatives, and ultimately the Fund, to potential liability. Not all Portfolio Companies may obtain insurance with respect to such liability, and the insurance that Portfolio Companies do obtain may be insufficient to adequately protect officers and directors from such liability. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from the Fund's investment activities. Co-investors and/or co-investment vehicles may indirectly benefit from ZMC's appointment of such directors, although co-investors (including their respective co-investment vehicle, even if managed by ZMC) will not typically bear the cost of liability insurance related to such appointment to the extent additional liability insurance is purchased by the Fund.

**No Assurance that Confidential Information Related to a Fund Will Not be Disclosed Publicly.** In general, a Fund Agreement will contain confidentiality provisions intended to protect proprietary and other information relating to the relevant Fund's Portfolio Companies. If such information is publicly disclosed, competitors of the Fund and/or its Portfolio Companies may benefit from such information, thereby adversely affecting the Fund, its Portfolio Companies, the GP Entity, ZMC and the economic interests of the limited partners. The limited partners are expected to include entities that are subject to state public records or similar laws that may compel public disclosure of confidential information regarding the relevant Fund, its investments and its investors. There can be no assurance that such information will not be disclosed either publicly or to regulators. If a GP Entity or ZMC determines that, as a result of such public records or similar laws, a limited partner or any of its affiliates or agents may be required to disclose information relating to the related Fund, its affiliates and/or any Portfolio Company (other than information that ZMC and the GP Entity have previously consented to in writing that the limited partners may disclose), ZMC and the GP Entity may, to prevent any such potential disclosure, withhold all or any part of the information otherwise to be provided to such limited partner.

**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 successful Portfolio Company, whether for opportunistic reasons, to fund the needs of the business, as an equity cure under applicable debt documents or for other reasons. There is no assurance that the Fund will make follow-on investments or that the Fund will have sufficient funds to make all or any of such investments, including as a result of the Fund's initial investment approaching or reaching its diversification limit. Any decision by a Fund



not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a Portfolio Company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made) or may result in a lost opportunity for the Fund to increase its participation in a successful Portfolio Company or the dilution of the Fund's ownership in a Portfolio Company if a third party invests in such Portfolio Company.

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

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

Certain hedging arrangements may create for a GP Entity and/or one of its affiliates an obligation to register with the U.S. Commodity Futures Trading Commission ("CFTC") or other regulator or comply with an applicable exemption. Losses may result to the extent that the CFTC or other regulator imposes position limits or other regulatory requirements on such hedging arrangements, including under circumstances where the ability of the related Fund or a Portfolio Company to hedge its exposures becomes limited by such requirements.

**Interest Rate Risks.** In order to seek to reduce the interest rate risk inherent in a Fund's underlying investments and capital structure, the Fund may enter into interest rate transactions, including but not limited to interest rate swaps and caps. For instance, interest rate swaps involve the exchange by a Fund with a counterparty of fixed-rate payments for floating rate payments; the payment obligations would be based on the notional amount of the swap. In an interest rate cap, the Fund would pay a premium to the counterparty to the interest rate cap and, to the extent that a specified variable rate index exceeds a predetermined fixed rate, would receive from the counterparty payments of the difference based on the notional amount of such cap. Depending on the state of interest rates in general, the Fund's use of interest rate transactions could enhance or harm the overall performance of the Fund.

**Investments with Third Parties.** A Fund may co-invest with third parties through partnerships, joint ventures or other entities or arrangements. Such investments may involve risks not present in investments where a third party is not involved, including the possibility that a third-party coventurer or partner may at any time have economic or business interests or goals that are inconsistent with those of the Fund, or may be in a position to take action contrary to the investment

objectives of the Fund. In addition, a Fund may in certain circumstances be liable for actions of its third-party co-venturer or partner. There can be no assurance that a Fund's return from a transaction would be equal to and not less than the return of another party that was allocated a co-investment opportunity and that is participating in the same transaction. Investments made with third parties in joint ventures or other entities may involve carried interests and/or other fees payable to such third-party partners or co-investors.

**In-House Models.** In addition to other analytical tools, ZMC and its affiliates utilize in-house models to evaluate prospective investments, and monitor and value existing holdings. The accuracy and effectiveness of these models cannot be guaranteed.

**Systems and Operational Risks.** In general, a Fund will depend on the related GP Entity to develop and implement appropriate systems for the Fund's activities. Certain of activities of a Fund, its GP Entity and ZMC will be dependent upon systems operated by third parties, and the GP Entity and ZMC may not be in a position to verify the risks or reliability of such third-party systems. Failures in the systems employed by a GP Entity, ZMC and other parties could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. Disruption to third-party critical service providers, such as a Fund's auditors, external counsel and custodian, may result in other disruptions in the Fund's operations. Disruptions in a Fund's operations may cause the Fund to suffer, among other things, financial loss, the disruption of its businesses, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing failures or disruptions could have a material adverse effect on a Fund and the investors' investments therein.

**Limited Access to Information.** Limited partners' rights to information regarding a Fund will be specified, and strictly limited, in the Fund Agreement. In particular, the related GP Entity will obtain certain types of material information from Portfolio Investments and all or portions of such information will not be disclosed to limited partners because, among other things, such disclosure is prohibited for contractual, legal or similar obligations outside of the GP Entity's control or because disclosure of such information is deemed by the GP Entity not to be in the best interest of the Fund or the Portfolio Investment. Decisions by the GP Entity to withhold information may have adverse consequences for limited partners in a variety of circumstances. For example, a limited partner that seeks to transfer its Fund interests may have difficulty in determining an appropriate price for such Fund interests. Decisions to withhold information also may make it difficult for limited partners to monitor the GP Entity and its performance. Additionally, it is expected that limited partners that designate representatives to participate on the LP Advisory Committee or the board of directors of a Portfolio Company or participate in (or are invited to participate in) co-investments will, by virtue of such participation, have more information about the Fund and portfolio investments in certain circumstances than other limited partners generally and will be disseminated information in advance of its communication to other limited partners generally.

**Distributions in Kind.** Generally, there will be no readily available market for a substantial number of Fund investments, and hence, most of a Fund's investments will be difficult to value. Certain investments may be distributed in kind to the limited partners and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by

such limited partners following receipt. After a distribution of securities is made to the limited partners, many limited partners may decide to liquidate such securities within the same period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such limited partners may be lower than the value of such securities determined pursuant to the relevant Fund Agreement, including the value used to determine the amount of carried interest allocable to the relevant GP Entity with respect to such investment.

**Recycling; Reinvestment.** A GP Entity has the right to recall certain capital returned or distributed to the limited partners and the right to deem certain capital to have been distributed and thereafter utilize such capital without first making a distribution, in each case subject to certain limitations set forth in the Fund Agreement. Accordingly, a limited partner may be required to make aggregate capital contributions in excess of its commitment (with certain limitations), and to the extent such recalled or retained amounts are reinvested in investments, a limited partner will remain subject to investment and other risks associated with such investments.

**Illiquid and Long-Term Investments.** An investment in the Funds should be viewed as an illiquid investment. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating a Fund (including the Management Fee payable to an affiliate of the related GP Entity) may exceed its income, thereby requiring that the difference be paid from the Fund's capital, including, without limitation, unfunded commitments.

**Investments Longer Than Terms of the Funds.** A Fund may make investments which may not be advantageously disposed of, or have liabilities that may not be resolved, prior to the date that the Fund will be dissolved, either by expiration of the Fund's term or otherwise. Although a GP Entity (i) would intend that investments will be disposed of prior to winding up and termination or be suitable for in kind distribution at a Fund's winding up and termination and (ii) has a limited ability to extend the term of a 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 the winding up and termination. In addition, although upon the termination of a Fund, the related GP Entity will seek to reduce Fund assets to cash and cash equivalents by selling assets of the Fund as the GP Entity shall deem it advisable to sell, subject to obtaining fair value for such assets and any tax or other legal considerations, there can be no assurances with respect to the time frame in which the winding up and the final distribution of proceeds to the limited partners will occur.

**No Market for Limited Partner Interests.** There is no public market for the Funds interests, and none is expected to develop. Each limited partner will be required to represent that it is a qualified investor under applicable securities laws and that it is acquiring its Fund interest for investment purposes and not with a view to resale or distribution. Further, each limited partner must represent that it will only sell or transfer its Fund interest with prior written consent from the relevant GP Entity to a qualified investor under applicable securities laws and in a manner permitted by the Fund Agreement and consistent with those laws. Voluntary withdrawals from a Fund will not be

permitted except with the consent of the related GP Entity in certain narrow circumstances where there is a legal, regulatory or similar issue or as agreed in advance with the GP Entity. Consequently, limited partners are likely to be unable to liquidate their investments prior to the end of the relevant Fund's term and must be prepared to bear the risks of an investment in the Fund for an extended period of time.

**Valuation of Investments.** Valuations are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. Generally, the relevant GP Entity will determine the value of all of the related Fund's investments for which market quotations are available based on publicly available quotations. However, market quotations will be unavailable for virtually all of the Funds' investments because, among other things, the securities of Portfolio Companies held by the Funds generally will be illiquid and not quoted on any exchange. A GP Entity will determine the value of all of the relevant Fund's investments that are not readily marketable pursuant to the Fund Agreement. There can be no assurance that the GP Entity will have all of the information necessary to make valuation decisions in respect of these investments, or that any information provided by third parties on which such decisions are based will be correct. Valuations cannot necessarily be substantiated by comparison to independent markets. Additionally, there is no assurance that the valuation decision of a GP Entity with respect to an investment will represent the value ultimately realized by the relevant Fund on the eventual disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation. Valuation decisions will impact the calculation of the interim claw back obligations of a GP Entity. In addition, following the expiration of the investment period as defined in the relevant Fund Agreement, the Management Fee will be charged based on capital contributions for unrealized investments as adjusted by net losses from write-downs for such investments, therefore, valuation decisions made by a GP Entity with respect to unrealized investments will affect the amount of Management Fees payable by the relevant Fund. Accordingly, a GP Entity may be incentivized to increase valuations, or to ineffectively manage the relevant Fund's investment portfolios and risks, which may also affect the diversification and management of the Fund's portfolio of investments.

**U.S. Dollar Denomination of Interests; Foreign Currency and Exchange Rate Risks.** Interests are denominated in U.S. Dollars. Prospective investors subscribing for interests 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. Each prospective investor should consult with its, his or her own counsel and advisors as to all legal, tax, financial and related matters concerning an investment in the interests.

In addition, a Fund's 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. A Fund 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.

**Indemnification.** In general, a Fund is required to indemnify certain persons as set forth in the relevant Fund Agreement including, without limitation, the GP Entity, ZMC, their respective members, managers, shareholders, partners, directors, officers, employees, agents, advisors, assigns, representatives and affiliates, as well as the Principals, Operating Partners and the LP Advisory Committee members, for liabilities incurred in connection with the operations and affairs of the Fund and otherwise as provided in the Fund Agreement. Such liabilities may be material and have an adverse effect on the returns to the limited partners. For example, in their capacity as directors of Portfolio Companies, the partners or affiliates of a GP Entity may be subject to derivative or other similar claims brought by shareholders of such companies. The indemnification obligation of a Fund would be payable from the assets of the Fund, including the unfunded commitments of the limited partners. If the assets of a Fund are insufficient to pay any such indemnification obligations, the related GP Entity may recall distributions previously made to the limited partners to pay such obligations (subject to certain limitations set forth in the Fund Agreement). Such liabilities of a Fund may not be resolved prior to the date that the Fund will be dissolved, either by expiration of the Fund's term or otherwise. Furthermore, as a result of the provisions contained in the Fund Agreement, the limited partners may have a more limited right of action in certain cases than they would in the absence of such limitations. Such indemnification obligations could materially impact the returns to limited partners. It should be noted that a GP Entity may cause the related Fund to purchase insurance covering the Fund, ZMC and/or their respective employees, agents and representatives, in each case with respect to the relevant person's or entity's actions and omissions on behalf of or in connection with the Fund (including in connection with serving on the boards of directors of Portfolio Companies). Co-investors and/or co-investment vehicles may indirectly benefit from ZMC's appointment of such directors, although co-investors (including their respective co-investment vehicle, even if managed by ZMC) will not typically bear the cost of director and officer and/or other applicable liability insurance related to such appointment. In addition, there can be no assurance that any such insurance will be sufficient or available to satisfy the specific claims that may arise or generally available on commercially reasonable terms.

**Liability of the ZMC Funds and the Limited Partners.** A GP Entity has unlimited liability for all debts and obligations of the related Fund. Except as provided below, the total liability of a limited partner is limited to the amount of its commitment, except in certain circumstances whereby such limited partner was deemed to be involved in the management or otherwise engaged in the conduct of the business of the relevant Fund or externally represented the Fund as a general partner. Any partner's commitment is susceptible to risk of loss as a result of any liability of the relevant Fund irrespective of whether such liability is attributable to an investment to which such partner contributed any capital (i.e., the Partner was excused or excluded from participation). If a Fund is otherwise unable to meet its obligations, the limited partners may, under applicable law, be obligated to return to the Fund or to creditors whose interests have been injured distributions previously received by them pursuant to any rules regarding fraudulent conveyances. In addition, a limited partner may be liable under applicable bankruptcy law to return distributions made during the relevant Fund's insolvency.

**Significant Adverse Consequences for Default.** In general, the Fund Agreement provides for significant adverse consequences in the event a limited partner defaults on its commitment or any other payment obligation. In addition to losing its right to potential distributions from the relevant Fund, a defaulting limited partner may be forced to transfer its interest in the Fund for an amount that is less than the fair market value of such interest.

If capital contributions made by non-defaulting limited partners are inadequate to cover any defaulted commitment, the relevant Fund may be unable to pay its obligations when due. A default by a substantial number of limited partners or by one or more limited partners who have made significant commitments could substantially impair the relevant Fund's ability to make or acquire investments or otherwise continue operations, limit opportunities for investment diversification and/or materially reduce returns to the Fund and, consequently, to the limited partners.

**Mandatory Withdrawal.** To the extent provided in the Fund Agreement, a GP Entity may require a limited partner to withdraw from the related Fund. The withdrawal price will depend in large part on the valuation of such limited partner's interest in the Fund at the time of withdrawal. There can be no assurance that the valuation of investments will accurately predict the amount realized by a Fund following the disposition or realization of such investments. As such, it is possible that at the time of such mandatory withdrawal, such investments may be valued at a price that is lower than the price at which they are ultimately disposed or realized.

**Public Disclosure Laws.** Certain limited partners will be subject to state public records or similar freedom of information laws, which may compel public disclosure of confidential information regarding the relevant Fund, its investments and its limited partners. The amount of information about such limited partners' investments that is required to be disclosed has increased in recent years, and that trend may continue. To the extent that disclosure of confidential information relating to a Fund, its Portfolio Companies or its limited partners results from Fund interests being held by public investors, the Fund, its Portfolio Companies and its limited partners may be adversely affected. A GP Entity may, in order to prevent any such potential disclosure, withhold information otherwise to be provided to such public investors. Conversely, potential future regulatory changes applicable to investment advisers and/or the accounts they advise could result in ZMC, a GP Entity and/or a Fund becoming subject to additional disclosure requirements the specific nature of which is as yet uncertain.

**Governing Law, Jurisdiction and Sovereign Immunity.** Certain limited partners admitted to the relevant Funds may enjoy sovereign or other immunities and privileges under United States or foreign law and may claim to be or insist on being restricted in their ability to submit to the jurisdiction of particular courts and tribunals, including those designated in the Fund Agreements. These factors may make it substantially more difficult for the relevant GP Entity, ZMC or the Fund to enforce the contractual obligations of a limited partner.

**No Limited Partner Participation in Management.** Limited partners generally will have no right or power to take part in the management of the relevant Fund, and control over the operation of the Fund will be vested with the related GP Entity. The loss or reduction of service of one or more of the Fund's Principals or other personnel could have a material and adverse effect on the Fund's ability to realize its investment objectives and the Fund's future profitability.

**Diverse Limited Partner Group.** The limited partners will be a diverse group that may have conflicting investment, tax and other interests with respect to their investments in the relevant Fund. The conflicting interests of individual limited partners may relate to or arise from, among other things, the nature of investments made by the Fund, the structuring or the acquisition of investments and the timing of disposition of investments, investments by such limited partners in other ZM-advised funds and the ability and desire to consummate co investment opportunities. As a consequence, conflicts of interest may arise in connection with the decisions made by the relevant GP Entity, including with respect to the nature or structuring of investments that may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for a Fund, the relevant GP Entity will consider the investment and tax objectives of the Fund and its limited partners as a whole, and need not consider the investment, tax or other objectives of any limited partner individually.

**LP Advisory Committee.** Where necessary or appropriate, a GP Entity may consult with and/or receive consent to conflicts from the relevant LP Advisory Committee. A GP Entity will appoint one or more limited partner representatives to the relevant LP Advisory Committee. The LP Advisory Committee will seek to resolve conflicts set before it in a fair and equitable manner. The Fund Agreement will provide that to the fullest extent permitted by applicable law, none of the LP Advisory Committee members shall owe any fiduciary duties to the related Fund or any other partner. In addition, representatives of a LP Advisory Committee may have various business and other relationships with the relevant GP Entity and its partners, employees and affiliates, including as a result of investing in other ZM-advised funds or participating in potential co-investment opportunities. These relationships may influence their decisions as members of the LP Advisory Committee.

**Voting by Limited Partners.** The limited partners and the limited partners of any parallel funds generally vote on all matters on a combined basis as set forth in the relevant Fund Agreement. Accordingly, action by limited partners in a parallel fund could affect the related Fund.

**Management Fee is Payable Regardless of the Fund's Performance.** ZMC is entitled to receive the Management Fee that is based on the length of time an investment is held, which may create an incentive for ZMC to cause a Fund to hold an investment for longer than would otherwise be the case.

**Side Letters.** A GP Entity, ZMC and/or the related Fund may enter into other written agreements with one or more limited partners. These Side Letters may entitle a limited partner to make an investment in the relevant Fund on terms other than those described in the relevant Fund Agreement. Any such terms, including with respect to (a) opting out of particular investments, (b) reporting obligations of the Fund, (c) transfer to affiliates, (d) co-investment opportunities, (e) conditional withdrawal rights due to adverse tax or regulatory events, (f) consent rights to certain amendments to the Fund Agreement or (g) any other matters described herein, may be more favorable than those offered to any other limited partners. If a GP Entity and/or the related Fund enter into a Side Letter entitling a limited partner to opt out of a particular investment or withdraw (with the consent of the GP Entity) from the Fund, any election to opt out or withdraw by such

limited partner may increase another limited partner's pro rata interest in that particular investment (in the case of an opt-out) or all future investments (in the case of a withdrawal).

**Impacts of Excuse or Exclusion.** A limited partner's participation in the Fund's investments may be limited by virtue of the GP Entity's right to exclude a limited partner from, or a limited partner's right to be excused from, participating in certain of the Fund's investments as set forth in the Fund Agreement, thereby increasing the participation of other limited partners. As a consequence of one or more limited partners being excused or excluded or other factors limiting their participation in investments, the aggregate returns realized by the participating limited partners could be adversely affected in a material manner by the unfavorable performance of even a single investment by the Fund.

**Policies and Procedures.** Each Fund Agreement describes and summarizes, in relevant part, certain policies, guidelines, procedures and practices relating to the relevant GP Entity's and ZMC's current approach to sourcing, evaluating, structuring, making, creating value in and exiting investments (collectively, the "Current Procedures"). Over time, some or all of these policies, guidelines, procedures and practices may change, and there can be no assurance that the GP Entity or ZMC will not vary from its Current Procedures with respect to the related Fund in the future. In addition, from time to time, a GP Entity or ZMC may adopt, revise or rescind investment-related policies with respect to the related Fund for the purposes of regulatory compliance, including for the purpose of establishing regulatory categorization or regulatory treatment of the GP Entity, ZMC, the Fund and/or their respective affiliates. Such policies may limit or restrict activities of the relevant Fund and shall be operative to the extent provided in such policies.

**Legal, Tax and Regulatory Risks.** Legal, tax and regulatory changes could occur during the term of a Fund that may adversely affect the Fund, its Portfolio Companies or its limited partners. 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. Moreover, the provision of media services in all parts of the world is governed by different statutes, rules and regulations promulgated by international, national, state and local government entities. These regulations cover all aspects of the provision of media services, including the allocation and use of the electromagnetic spectrum and the quality of services provided by the entity, and determine whether an entity is qualified to provide such services. In addition, Portfolio Companies are likely to be subject to interpretation and enforcement of laws, or changes in interpretation or enforcement, governing such matters as unclaimed property, minimum wage requirements, overtime and other working conditions and citizenship requirements. Changes in regulations may also impact a Portfolio Company's operations.

**Regulatory Considerations.** A Fund will make investments in Portfolio Companies operating in industries that are subject to greater amounts of regulation than other industries generally. Investments in Portfolio Companies that are subject to greater amounts of governmental regulation pose additional risks relative to investments in other companies generally. Changes in applicable laws or regulations, or in the interpretations of these laws and regulations, could result in increased compliance costs or the need for additional capital expenditures. If a Portfolio Company fails to comply with these requirements, it could also be subject to civil or criminal liability and the imposition of fines. A Portfolio Company could also be materially and adversely affected as a



result of statutory or regulatory changes or judicial or administrative interpretations of existing laws and regulations that impose more comprehensive or stringent requirements on such company. Governments have considerable discretion in implementing regulations that could impact a Portfolio Company's business and governments may be influenced by political considerations and may make decisions that adversely affect a Portfolio Company's business.

The provision of media services in all parts of the world is governed by different statutes, rules and regulations promulgated by international, national, state and local government entities. These regulations cover all aspects of the provision of media services, including the allocation and use of the electromagnetic spectrum and the quality of service provided by the entity, as well as determine whether an entity is qualified to provide such services. The form and content of these regulations can be subject to all types of political, market and social forces at every level of regulatory authority. For example, some regulations govern the qualifications and/or ownership of entities that seek to provide regulated services to protect consumers or to control the concentration of economic power in a specific market segment. Under these rules, entities wishing to provide certain services may need to be licensed or obtain some other authorization to provide services. Moreover, these entities may be subject to ownership and control restrictions, limitations on rates, specific technical requirements, reporting requirements, and the payment of various fees, taxes or other levies. Accordingly, regulation of the media industry can have a dramatic effect on any entity participating in this industry.

Additionally, there is no assurance that governments or regulatory agencies will not adopt new laws or regulations, revise their view of existing rules and regulations, or take other actions that will have an adverse effect on the media industry or the ability of an entity to provide specific services or otherwise impact companies in which a Fund may invest or may have invested. Furthermore, some regulations concerning ownership and control of certain types of media entities may prevent certain potential investors in a Fund from making, or could prevent a Fund from making, certain investments that it might otherwise desire to make. These same regulations or others might also prevent investors in a Fund from making certain investments outside the Fund.

### **Enhanced Scrutiny and Regulation of the Private Equity and Financial Services Industries.**

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

The combination of such scrutiny of private equity firms (along with other alternative asset managers) and their investments by various politicians, regulators and market commentators, and the public perception that certain alternative asset managers, including private equity firms, contributed to the recent downturn in the U.S. and global financial markets, may complicate or prevent a Fund's efforts to structure, consummate and/or exit investments, both in general and relative to competing bidders outside of the alternative asset space. As a result, the Fund may invest in fewer transactions or incur greater expenses or delays in completing or existing investments than it otherwise would have.

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

**Laws and Regulations Governing the Internet.** The future success of many, if not all, Portfolio Companies, will depend upon the continued use of the internet as a primary medium for commerce, communication and business services. Changes in laws and regulations related to the internet or changes in the infrastructure of the internet itself may diminish the demand for Portfolio Companies' products. U.S. federal, U.S. state or foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws and regulations affecting the use of the internet as a commercial medium. Portfolio companies may be required to modify their products in compliance with such changes in laws and regulations. Also, domestic and foreign government agencies and private organizations may begin to impose taxes, fees or other charges for accessing the internet or for the commerce conducted via the internet. Such charges and regimes could limit the growth of internet-related commerce or communications generally or reduce demand for internet-based products and business services, which may negatively impact a Fund's Portfolio Companies.

**Governmental Export and Import Controls.** Companies may be subject to U.S. export controls for software and for incorporating encryption technology into any customer service platforms enabled through mobile applications. Such products incorporating encryption technology may only be exported outside of the U.S. with the required export authorizations, including by license, a license exception or other appropriate government authorizations, for example the filing of an encryption registration. Also, various countries regulate the import of certain encryption technology, including through import permitting and licensing requirements, and have enacted laws that could limit the ability of companies to offer or distribute their products. Further, U.S. export control laws and economic sanctions prohibit the shipment of certain products and services to countries, governments and persons targeted by U.S. sanctions. Such governmental export and import controls could negatively impact the GP Entities and the Funds by impairing the abilities of Portfolio Companies to compete in international markets or subject them to liability for violations, including possible civil and criminal penalties and repercussions.

**Labor Relations.** Certain Portfolio Companies may have a unionized work force or employees who are covered by a collective bargaining agreement, which could subject any such Portfolio Company's activities and labor relations matters to complex laws and regulations relating thereto. Moreover, a Portfolio Company's operations and profitability could suffer if it experiences labor relations problems. Upon the expiration of any such Portfolio Company's collective bargaining

agreements, it may be unable to negotiate new collective bargaining agreements on terms favorable to it, and its business operations at one or more of its facilities may be interrupted as a result of labor disputes or difficulties and delays in the process of renegotiating its collective bargaining agreements. A work stoppage at one or more of any such Portfolio Company's facilities could have a material adverse effect on its business, results of operations and financial condition. Any such problems additionally may bring scrutiny and attention to a Fund itself, which could adversely affect the Fund's ability to implement its investment objectives.

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

**Absence of Regulatory Oversight.** While each Fund may, in some respects, be considered to be similar to an investment company, it is not registered, and does not intend to register, as such under the Investment Company Act or the laws of any other country or jurisdiction and, accordingly, the provisions of the Investment Company Act will not be applicable to any of the Fund.

**OFAC and FCPA Considerations.** Economic sanction laws in the United States and other jurisdictions prohibit the GP Entities, ZMC, their respective affiliates, professionals and the Funds from transacting with or in certain countries and with certain individuals and companies. In the United States, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") administers and enforces laws, Executive Orders, and regulations establishing U.S. economic and trade sanctions. Such sanctions prohibit, among other things, transactions with, and the provision of services to, certain foreign countries, territories, entities, and individuals. These entities and individuals include specially designated nationals, specially designated narcotics traffickers, and other parties subject to OFAC sanctions and embargo programs. The lists of OFAC prohibited countries, territories, persons and entities, including the List of Specially Designated Nationals and Blocked Persons, as such list may be amended from time to time, can be found on the OFAC website at [www.treas.gov/ofac](http://www.treas.gov/ofac). In addition, certain programs administered by OFAC prohibit dealing with individuals or entities in certain countries regardless of whether such individuals or entities appear on the lists maintained by OFAC. These types of sanctions may restrict a Fund's investment activities.

In some countries, there is a greater acceptance than in the United States of government involvement in commercial activities, and, in some cases, of corruption. The GP Entities, ZMC, their respective affiliates and professionals and the Funds are committed to complying with the

U.S. Foreign Corrupt Practices Act (“FCPA”) and other anti-corruption laws, anti-bribery laws and regulations, as well as anti-boycott regulations, to which they are subject. As a result, a Fund may be adversely affected because of its unwillingness to participate in transactions that violate such laws or regulations. Such laws and regulations may make it difficult in certain circumstances for a Fund to act successfully on investment opportunities and for Portfolio Companies to obtain or retain business.

In recent years, the U.S. Department of Justice and the SEC have devoted greater resources to enforcement of the FCPA. In addition, the United Kingdom (“UK”) has significantly expanded the reach of its anti-bribery laws. While ZMC has developed and implemented policies and procedures designed to ensure strict compliance by the GP Entities, ZMC and their personnel with the FCPA, such policies and procedures may not be effective in all instances to prevent violations. In addition, in spite of ZMC’s policies and procedures, Portfolio Companies or their affiliates, in cases where a Fund does not control such Portfolio Company, may engage or have engaged in activities that could result in FCPA violations. A Fund may also assume liabilities related to events occurring prior to the acquisition if such events are not identified during diligence or ZMC or the Fund assumes such risk. Any determination that a GP Entity, ZMC, a Fund or a Portfolio Company has violated the FCPA or other applicable anti-corruption laws or anti-bribery laws could subject it to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect ZMC’s business prospects and/or financial position, as well as the Fund’s ability to achieve its investment objectives and/or conduct its operations.

The GP Entities and ZMC will make reasonable efforts to ensure compliance with U.S. and foreign laws and regulations relating to hiring practices with regard to government officials and others, including the FCPA and the U.K. Bribery Act. The GP Entities, ZMC and their respective affiliates endeavor to hire short-term or long-term personnel (or interns) that are qualified candidates, but there is no guarantee a GP Entity, ZMC and their respective affiliates (or, for that matter, a Portfolio Company) will not inadvertently and/or unknowingly hire someone with connections to a government official or intentionally hire someone with such connections because they are for unrelated reasons the most qualified candidate for the job.

**Regulation by SEC.** There can be no assurance that a Fund, a GP Entity, ZMC or any of their affiliates will avoid regulatory examination and possible deficiency letters or enforcement actions in the future. Recent SEC enforcement actions and settlements involving U.S.-based private fund advisers have involved a number of issues, including, among other things, the undisclosed (or insufficient disclosure of) allocation of the fees, costs and expenses related to unconsummated co-investment transactions (i.e., the allocation of Broken Deal Expenses) or allocation of transaction fees, monitoring fees or other similar fees received by private fund sponsors at the portfolio company level (i.e., the allocation of fees offsetable against management fees), the amount or level of reimbursement by a private fund to its manager or general partner for air travel expenses incurred in connection with the fund’s activities, and the use of a private fund adviser’s affiliates to provide certain services to the fund. A GP Entity, ZMC and/or their respective affiliates may be at risk for regulatory sanctions arising out of an SEC examination, regulatory investigation or proceeding. Even if an investigation or proceeding did not result in a sanction or the sanction imposed against a GP Entity or ZMC was small in monetary amount, the related Fund, the GP

Entity, ZMC or their respective affiliates may be subject to adverse publicity relating to the investigation, proceeding or imposition of any such sanction. Any such investigations could be costly, distracting and/or time consuming for ZMC management.

**Pay-to-Play Laws; Regulations and Policies.** A number of U.S. states and municipal pension plans have adopted so-called “pay-to-play” laws, regulations or policies which prohibit, restrict or require disclosure of payments to (and/or certain contacts with) state officials by individuals and entities seeking to do business with state entities, including those seeking investments by public retirement funds. The SEC has adopted a rule that, among other things, prohibits an investment adviser from providing advisory services for compensation to a government client for two years after the adviser or certain of its executives or employees makes a contribution to certain elected officials or candidates. If a GP Entity, ZMC, any of their employees or affiliates or any service provider acting on their behalf, fails to comply with such laws, regulations or policies, such noncompliance could have an adverse effect on the related Fund. Limited partners may also seek to pursue individual remedies, including withdrawal rights, which may be included in Side Letters or otherwise imposed by statute.

**Laws of Other Jurisdictions Where the Fund is Marketed.** Interests in a Fund may be marketed in various jurisdictions in addition to those more specifically addressed in the Fund Agreement. In order to market interests in a Fund in certain jurisdictions (or to investors who are citizens of or resident in such jurisdictions), the Fund, its GP Entity, ZMC and their respective affiliates will be required to comply with applicable laws and regulations relating to such activities. Compliance may involve, among other things, making notifications to or filings with local regulatory authorities, registering the Fund, the GP Entity, ZMC and their respective affiliates or the interests with local regulatory authorities or complying with operating or investment restrictions and requirements, including with respect to prudential regulation. Compliance with such laws and regulations may limit the ability of the relevant Fund to participate in investment opportunities and impose onerous and at times conflicting operating requirements on the Fund, its GP Entity, ZMC and/or their respective affiliates. The costs, fees and expenses incurred in order to comply with such laws and regulations, including related legal fees and filing or registration fees and expenses, will be borne by the relevant Fund and may be substantial. In addition, if a Fund, its GP Entity, ZMC and/or their respective affiliates were to fail to comply with such laws and regulations, any or all of them could be subject to fines or other penalties, the cost of which typically would be borne by the Fund.

**Privacy and Data Protection Law Compliance Risk.** The adoption, interpretation and application of consumer protection, data protection and/or privacy laws and regulations in the United States, Europe and other jurisdictions (collectively, “Privacy Laws”) could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and current and planned business activities of ZMC, the GP Entities, the Funds and/or their portfolio companies, and increase compliance costs and require the dedication of additional time and resources to compliance for such entities. A failure to comply with such Privacy Laws by any such entity or their service providers could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations and overall business, as well as have a negative impact on reputation and Fund performance. As Privacy Laws are implemented, interpreted and applied, compliance costs for

ZMC, the GP Entities, the Funds and/or their portfolio companies, are likely to increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

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

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

**United Kingdom (“UK”) Exit from the EU.** On March 29, 2017, the United Kingdom formally notified the European Council of its intention to leave the EU (“Brexit”). After a number of iterations, the European Commission and the UK’s negotiators reached agreement on the terms of the UK’s withdrawal from the EU, and these terms have been approved by the UK and EU Parliaments. The UK formally left the EU on January 31, 2020 after which the UK entered the transition period specified in the withdrawal agreement, which ended on December 31, 2020. On December 24, 2020, the UK government and the EU Commission provisionally agreed a trade and cooperation agreement governing their future relationship, which, following a ratification process, is expected to apply on a provisional basis through an additional transition period.

. Although provisionally agreed, the terms of UK’s ongoing and future relationship with the EU are still uncertain, including the extent to which UK businesses will have access to the EU single market, and the extent to which EU businesses have access to the UK market. There is also risk of significant disruption to trade between UK and the EU, particularly as new trade arrangements are intended to be ratified and implemented. There can be no assurance that any renegotiated laws or regulations will not have an adverse impact on a Fund and its investments, including the ability of a Fund to achieve its investment objectives.

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

**Counterparty Risks.** In general, a Fund depends on the services of custodians, counterparties, administrators and other agents to carry out certain transactions on behalf of the Fund. The terms of these contracts are often customized and complex, and many of these arrangements occur in markets or relate to products that are not subject to regulatory oversight. A Fund is subject to the risk that the counterparty to one or more of these contracts defaults, either voluntarily or involuntarily, on its performance under the contract. Any such default may occur suddenly and

without notice to the relevant GP Entity. Moreover, if a counterparty defaults, the relevant GP Entity may be unable to take action to cover the relevant Fund's exposure, either because it lacks contractual recourse or because market conditions make it difficult to take effective action. This inability could occur in times of market stress, which is when defaults are most likely to occur.

In the event of the insolvency of a custodian, counterparty or any other party that is holding assets of a Fund as collateral, the Fund might not be able to recover equivalent assets in full as it will rank among the custodian's or counterparty's unsecured creditors in relation to the assets held as collateral. In addition, a Fund's cash held with a custodian or counterparty generally will not be segregated from the custodian's or counterparty's own cash, and the Fund may therefore rank as an unsecured creditor in relation thereto.

The counterparty risks that a Fund faces have increased in complexity and magnitude in recent years. For example, consolidation and elimination of counterparties has increased the concentration of counterparty risk and decreased the universe of potential counterparties, and a Fund is generally not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. In addition, counterparties generally react to market volatility by tightening their underwriting standards and increasing their margin requirements for all categories of financing, which could result in a decrease in the overall amount of leverage available and increasing the costs of borrowing to a Fund.

**Material, Non-Public Information.** As a result of their extensive operations, the GP Entities, ZMC and their respective affiliates and personnel frequently come into possession of confidential or material, non-public information. Therefore, the GP Entities, ZMC and their respective affiliates and personnel may have access to material, non-public information that may be relevant to an investment decision to be made by a Fund. Consequently, the Fund may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, might have been undertaken on account of applicable securities laws or ZMC's internal policies and practices. Due to these restrictions, a Fund may not be able to make an investment that it otherwise might have made or sell an investment that it otherwise might have sold.

**Other Activities and Relationships.** The Principals will serve as members of the boards of directors of various companies and may participate in other activities outside of the GP Entities and ZMC. For example, Mr. Zelnick currently serves on the boards of directors of several private companies. Conflicts may arise as a result of such activities. The possibility exists that the companies with which one or more of the Principals is involved could engage in transactions that would be suitable for a Fund, but in which the Fund might be unable to invest.

**Risk of Litigation.** It is difficult to predict with certainty the cost of defense, of prosecution or of the ultimate outcome of litigation and other proceedings filed by or against Portfolio Companies, including penalties or other civil or criminal sanctions, or remedies or damage awards, and adverse results in any litigation and other proceedings may materially harm a Fund's Portfolio Companies. Litigation and other proceedings may include, but are not limited to, actions relating to breach of fiduciary duty, appraisal, intellectual property, international trade, commercial arrangements, product liability, environmental, health and safety, joint venture agreements, anti-corruption, anti-money laundering, labor and employment or other harms resulting from the actions of individuals

or entities outside of a GP Entity's or ZMC's control. In the case of intellectual property litigation and proceedings, adverse outcomes could include the cancellation, invalidation or other loss of material intellectual property rights used in a Portfolio Company's business and injunctions prohibiting its use of business processes or technology that are subject to third-party patents or other third-party intellectual property rights. The outcome of such proceedings could materially adversely affect the value of the relevant Fund and could continue without resolution for long periods of time. Any litigation may consume substantial amounts of the relevant GP Entity's, ZMC's and/or the Principals' time and attention, and the devotion of time and resources to litigation may, at times, be disproportionate to the amount at stake in the litigation.

**Cybersecurity Risks.** Recent events have illustrated the ongoing cybersecurity risks to which companies are subject, particularly operating companies in historically vulnerable industries. To illustrate the increasing and potentially significant impact of cybersecurity breaches, in 2015 and 2016, the U.S. government and several multinational companies, including financial institutions and retailers, reported cybersecurity breaches affecting their computer systems that resulted in the personal information of millions of citizens, customers and employees being compromised. Techniques used to sabotage, or to obtain unauthorized access to, systems or networks change frequently and generally are not recognized until launched against a target. Therefore, ZMC, operating companies, as well as their third-party partners (including vendors and Portfolio Companies), may be unable to anticipate these techniques, react in a timely manner, or implement adequate preventive measures. The GP Entities, ZMC, the Funds and their Portfolio Companies' information and technology systems may be vulnerable to actual or perceived damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, other disruptive behavior including denial-of-service attacks, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Cyber-attacks may also take the form of socially engineered frauds, such as "phishing". Companies and service providers have also been subject to "ransomware" attacks. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of the GP Entities', ZMC's or their respective affiliates' systems to disclose sensitive information in order to gain access to the GP Entities', ZMC's or their respective affiliates' data or that of the Funds' investors or the Portfolio Companies. If these systems are compromised, become inoperable for extended periods of time or cease to function properly, the GP Entities, ZMC, the Funds and/or the Portfolio Companies may incur specific time or expense to fix or replace them and to seek to remedy the effects of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the GP Entities', ZMC's, the Funds' and/or the Portfolio Companies' operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including confidential or proprietary client information and/or personal information relating to investors (and the beneficial owners of investors).

To the extent that a GP Entity, ZMC, a Fund and/or a Portfolio Company is subject to cyber-attack or other unauthorized access is gained to any such entity's information and technology systems, the GP Entity, ZMC, the Fund and/or such Portfolio Company may be subject to substantial losses from the following types of information belonging to ZMC, the Fund, any Portfolio Company, any investor, client, vendor or customer thereof, as applicable, being stolen, lost or corrupted: (i) data or payment information; (ii) financial information; (iii) software, contact lists or other databases;



(iv) proprietary information or trade secrets; or (v) other items. In addition, in the event of a cyberattack or other unauthorized access to information and technology systems, numerous unforeseen costs may arise including, but not limited to, litigation costs, preventative and protective costs and remediation costs. The GP Entity's, ZMC's, the Fund's and/or a Portfolio Company's insurance coverage may be insufficient to compensate any such entity and its respective affiliates or counterparties for incurred liabilities. In certain events, a GP Entity's, ZMC's, a Fund's and/or a Portfolio Company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. The use of internet- or cloud-based programs, technologies and data storage applications generally heightens these risks. Any of such circumstances could subject the relevant Portfolio Company, the relevant GP Entity, the relevant Fund, ZMC or others to substantial losses, including losses relating to: misappropriation of assets, intellectual property or confidential information; corruption, deletion or destruction of data; physical damage and repairs to systems; reputational harm; financial losses from remedial actions; and/or disruption of operations. Third parties, including activist, criminal, nation-state or terrorist actors, may also attempt fraudulently to induce portfolio companies or their personnel to disclose sensitive information (including passwords) in order to gain access to data, accounts, funds or other assets, or otherwise to inflict harm. They also could prompt increased scrutiny and attention to such Portfolio Company, such GP Entity, ZMC and/or such Fund, which could adversely affect such Portfolio Company's reputation and/or such GP Entity's, ZMC's or such Fund's ability to implement its investment objectives. In addition, in the event that such a cyber-attack or other unauthorized access is directed at a GP Entity or one of its service providers holding its financial or investor data, the GP Entity, ZMC or the related Fund may also be at risk of loss, despite efforts to prevent and mitigate such risks.

**Force Majeure Risk.** Force majeure is the term generally used to refer to an event beyond the control of the party claiming that the event has occurred, including acts of God, fire, flood, weather, earthquakes, war, terrorism and labor strikes. Some force majeure events may adversely affect a party's ability to perform its obligations, under a contract or otherwise, until it is able to remedy the force majeure event. In addition, the cost of repairing or replacing damaged assets could be considerable. Repeated or prolonged service interruptions may result in permanent loss of customers, substantial litigation or penalties for regulatory or contractual non-compliance. In some cases, project agreements can be terminated if the force majeure event is so catastrophic as to render it incapable of remedy within a reasonable, pre-agreed time period. Force majeure events that are incapable of, or costly to, cure may also have a permanent adverse effect on a Fund or a Portfolio Company.

**Terrorist Activities.** U.S. activities in Iraq, Afghanistan and Syria, and terrorist attacks of unprecedented scope have caused instability in the world financial markets and may generate global economic instability. The continued threat of terrorism and the impact of military or other action have led to and will likely lead to increased volatility in prices for commodities and could affect a Fund's financial results. Portfolio Companies may involve significant strategic assets having a national or regional profile. The nature of these assets could expose them to a greater risk of being the subject of a terrorist attack than other assets or businesses. Any terrorist attacks that occur at or near such assets would likely cause significant harm to employees, property and, potentially, the surrounding community, and may result in losses far in excess of available insurance coverage.

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

### *COVID-19*

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

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

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

To the extent personnel, as a result of working remotely, rely more heavily on external sources for information and technology systems for their business-related communications and information sharing, that business will likely be more vulnerable to cybersecurity incidents and cyberattacks and could have more difficulty resuming normal operations in the event it is the target of such incident or attack. See "Cybersecurity Risks," above.

#### Conflicts of Interest

ZMC and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for their own account and for the account of other Funds, and providing transaction-related, legal, management and other services to Funds, and Portfolio Companies. ZMC will devote such time, personnel and internal resources as are necessary to conduct the business affairs of the Funds in an appropriate manner, as required by the Fund Agreements, although the Funds and their respective investments will place varying levels of demand on these over time. In the ordinary course of ZMC conducting its activities, the interests of a Fund likely will conflict with the interests of ZMC, one or more other Funds, Portfolio Companies or their respective affiliates in certain circumstances. Certain of these conflicts of interest are discussed herein. As a general matter, ZMC will determine all matters relating to structuring transactions and Fund operations using its reasonable judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the advisory committees of the participating Funds.

Certain Principals and employees and members of the GP Entities and their affiliates currently or may in the future manage and/or otherwise be affiliated with Portfolio Companies and other outside

businesses (which affiliations may include holding trusteeships, directorships or officer positions with such businesses, including public entities).

During the investment period of a Fund, appropriate investment opportunities will be pursued by The Principals through such Fund, subject to certain limited exceptions set forth in the Fund Agreements and ZMC's allocation policies. Without limitation, the Principals currently manage, and expect in the future to manage, several other investments similar to those in which a Fund will be investing, and expect to direct certain relevant investment opportunities or resources to those investments. ZMC personnel reserve the right to manage their own personal investments, whether or not through a formal family office or estate planning structure, and to pay or receive compensation relating to these arrangements. The Principals and ZMC's investment staff will continue to manage and monitor such investments until their realization. Such other investments that the Principals expect from time to time to control or manage generally have the potential to compete with companies acquired by a Fund. Following the investment period of a Fund, the Principals reserve the right to, and likely will, focus their investment activities on other opportunities and areas unrelated to such Fund's investments. Unless restricted by the Fund Agreements, ZMC personnel are permitted to serve on boards or act in other roles unaffiliated with ZMC, the Funds or their portfolio companies, including boards of charitable and educational institutions, public companies and former portfolio companies, and receive compensation in connection with such services and roles.

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

ZMC must first determine which Fund(s) will, or are required to, participate in the relevant investment opportunity. ZMC generally assesses whether an investment opportunity is appropriate for a particular Fund based on the Fund Agreements, including, but not limited to, its investment objectives and scope, where such Fund is in its investment period and the terms of such Fund's governing agreement, as well as factors including but not limited to: such Fund's investment restrictions, security type (e.g., debt or equity), control versus non-control nature of the opportunities, term, strategy (including intended post-acquisition actions with respect to a Portfolio Company), available capital, risk profile, time horizon, need for follow-on opportunities, tax sensitivity, tolerance for turnover, asset composition, cash level (if any), applicable regulatory restrictions, life cycle and structure. For example, a newly organized Fund generally will seek to purchase a disproportionate amount of investments until it is substantially invested. A Fund generally reserves the right to invest together with other Funds advised by an affiliated adviser of ZMC in the manner set forth in the Fund Agreements and ZMC's allocation policy. ZMC will determine the allocation of investment opportunities among Funds in a manner that it believes is fair and equitable to its clients under the circumstances over time consistent with ZMC's obligations and reserves the right to take into consideration factors such as those set forth above.

Following such determination of allocation among Funds, ZMC will determine if the amount of an investment opportunity in which one or more Funds will invest exceeds the amount that would be appropriate for such Fund(s) and ZMC reserves the right to offer any such excess to one or more potential co-investors, including third parties, as determined by the Fund Agreements, Side Letters and ZMC's Allocation Policy. . ZMC's procedures permit it to take into consideration a variety of factors in making such determinations, which may include investment size and the likelihood that a co-investor may invest in a future fund sponsored by ZMC or its affiliates.

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

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

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

Potential conflicts are expected to arise when and to the extent a Fund makes investments in conjunction with an investment being made by another Fund, or if it were to invest in the securities of a company in which another Fund has already made an investment. A Fund may not, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Funds. This likely will result in differences in price, terms, leverage and associated costs. Where multiple Funds invest in the same company at different times, the first Fund to invest typically will bear a higher level of diligence and transaction fees, costs and expenses than later Funds; similarly, to the extent a transaction does not proceed,

the first Fund to invest typically will bear the full amount of Broken Deal Expenses relating to the transaction, regardless of whether other Funds could or would have invested in the company in potential future transactions. Further, there can be no assurance that the relevant Fund and the other Fund(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. ZMC and its affiliates reserve the right from time to time to express inconsistent views of commonly held investments or of market conditions more generally, including in instances where different portfolio managers or personnel express different views regarding the same investment. There can be no assurance that the return on one Fund's investments will be the same as the returns obtained by other Funds participating in a given transaction. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both Funds. In that regard, actions taken for one or more Funds may adversely affect other Funds.

Subject to any relevant restrictions or other limitations contained in the Fund Agreements, ZMC will allocate fees and expenses in a manner that it believes is fair and equitable to its clients under the circumstances over time and considering such factors as it deems relevant, but in any case, in its sole discretion. In exercising such discretion, ZMC expects to be faced with a variety of potential conflicts of interest.

As a general matter, Fund expenses typically will be allocated among all relevant Funds or coinvest vehicles eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions generally will be made by ZMC or its affiliates using their reasonable judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion, e.g., in determining whether to allocate pro rata based on number of Funds or co-invest vehicles receiving related benefits or proportionately in accordance with asset size, or in certain circumstances determining whether a particular expense has greater benefit to a Fund or ZMC. The Funds generally have different expense reimbursement terms, including with respect to Management Fee offsets, which is expected from time to time to result in the Funds bearing different levels of expenses with respect to the same investment.

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

Additionally, a Portfolio Company typically will reimburse ZMC or service providers retained at ZMC's discretion for expenses (including, without limitation, travel expenses) incurred by ZMC or such service providers in connection with its performance of services for such Portfolio Company. This subjects ZMC and its affiliates to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. ZMC determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices.

Although the amount of individual reimbursements typically is not disclosed to investors in any Fund, their effect is reflected in each Fund's audited financial statements, and any fee paid or expense reimbursed to ZMC or such service providers generally is subject to: agreements with or review by sellers, buyers and management teams, and/or the review and supervision of the board of directors of or lenders to Portfolio Companies. These factors help to mitigate related potential conflicts of interest.

In connection with its services to the Funds and their investments, ZMC, its affiliates and personnel expect to receive the benefit of certain tangible and intangible benefits. For example, in the course of ZMC's operations, including research, due diligence, investment monitoring, operational improvements and investment activities, ZMC and its personnel expect to receive and benefit from information, "know-how," experience, analysis and data relating to Fund or portfolio company (as applicable) operations, terms, trends, market demands, customers, vendors and other metrics (collectively, "ZMC Information"). In many cases, ZMC Information will include tools, procedures and resources developed by ZMC to organize or systematize ZMC Information for ongoing or future use. Although ZMC expects its Funds and their portfolio companies generally to benefit from ZMC's possession of ZMC Information, it is possible that any benefits will be experienced solely by other or future Funds or portfolio companies and not by the Fund or portfolio company from which ZMC Information was originally received. ZMC Information will be the sole intellectual property of ZMC and solely for the use of ZMC. ZMC reserves the right to use, share, license, sell or monetize ZMC Information, without offset to Management Fees, and the relevant Fund or portfolio company will not receive any financial or other benefit of such use, sharing, licensure, sale or monetization. Additionally, expenses relating to the Funds or portfolio companies are expected to be charged using credit cards or other widely available third-party rewards programs that provide airline miles, hotel stays, travel rewards, traveler loyalty or status programs, "points," "cash back," rebates, discounts and other arrangements, perquisites and benefits under the available terms of such reward programs. Such terms are expected to vary from time to time, and any such rewards (whether or not de minimis or difficult to value) generally will inure to the benefit of the personnel participating in the rewards program, rather than the portfolio companies, the Funds or their respective investors; no such rewards will offset Management Fees.

ZMC generally exercises its discretion to recommend to a Fund or to a Portfolio Company thereof that it contract for services with certain service providers, and from time to time such service providers are expected to include: (i) ZMC or a related person of ZMC (which may include a Portfolio Company of such Fund); (ii) an entity with which ZMC or its affiliates or current or former members of their personnel has a relationship or from which ZMC or its affiliates or their personnel otherwise derives financial or other benefit, including relationships with joint venturers or co-venturers; or (iii) certain limited partners or their affiliates. For example, ZMC expects to be presented with opportunities to receive financing and/or other services in connection with a Fund's investments from certain limited partners or their affiliates that are engaged in lending or related business. This discretion subjects ZMC to conflicts of interest, because although ZMC selects service providers that it believes are aligned with its operational strategies and will enhance Portfolio Company performance and, relatedly, returns of the relevant Fund, ZMC has a potential incentive to recommend the related or other person (including a limited partner) because of its financial or other business interest. There is a possibility that ZMC, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen

and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds or ZMC), would favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. ZMC will not necessarily seek out the lowest cost options when incurring (or causing a Fund or its Portfolio Companies to incur) such expenses. Although ZMC generally seeks appropriate rates for services, it reserves the right to prioritize prior usage, perceived sector competence or expertise, familiarity, onboarding speed or other factors in retaining or recommending service providers. Whether or not ZMC has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

In addition, as described above, Portfolio Companies typically pay certain fees to Operating Partners and other consultants (including consultants introduced or arranged by ZMC and/or its affiliates that regularly provide services to one or more Portfolio Companies), and such fees do not offset or reduce the Management Fee as described herein. Operating Partners generally make use of ZMC resources or otherwise are associated with ZMC. ZMC and/or its affiliates reserve the right to agree to cause the Funds to compensate certain of such persons to the extent Portfolio Company-related compensation falls below certain specified levels on an aggregate annualized basis, or provide other compensation, including upfront retainers and consulting fees. To the extent that Operating Partners are paid retainers or guaranteed minimum compensation amounts, there is the possibility that certain portfolio companies or Funds will bear a greater share of such compensation due to the utilization of the Operating Partner's services at a time when fewer portfolio companies or Funds make use of such Operating Partner. Although the use of Operating Partners and the allocation of compensation paid to them by the Funds, ZMC, its affiliates and/or the Portfolio Companies subjects ZMC and/or its affiliates to potential conflicts of interest, ZMC believes that such potential conflicts have the potential to be reduced by the anticipated benefits to the Funds (e.g., by sourcing investment opportunities, etc.) and cost savings to Portfolio Companies (which is expected to be to the benefit of the applicable Fund(s)) that will result if the cost of the Operating Partner is lower than market rates for the services provided and/or if the services of the Operating Partner align with ZMC's model for the Portfolio Company and improve Portfolio Company performance. Although ZMC seeks to retain Operating Partners with a view to reducing costs to Portfolio Companies (and, ultimately, the Funds) and/or improving Portfolio Company performance, a number of factors may result in limited or no cost savings from such retention. ZMC also seeks to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that ZMC believes will align such persons' interests with those of the Funds' limited partners, and seeks to retain only Operating Partners that it believes provide a level of service at a value generally consistent with other relevant market alternatives. However, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Although uncommon, ZMC reserves the right from time to time to cause a Fund to enter into a transaction whereby the Fund purchases securities from, or sells securities to, other Funds managed by ZMC, or co-investors or co-investment vehicles. Such transactions raise potential conflicts of interest, including where the investment of one Fund supports the value of Portfolio Companies owned by another Fund. These conflicts are heightened to the extent the relevant securities are illiquid or do not have a readily ascertainable value, and there generally can be no assurance that the price at which such transactions are entered into represent what would ultimately be the



underlying investment's fair value. To the extent required by the relevant Funds' limited partnership agreements or otherwise in the sole discretion of ZMC, ZMC reserves the right to seek to mitigate such conflicts by seeking the opinion of an unaffiliated third party (including the use of a consultant or investment banker to opine as to the fairness of a purchase or sale price) or by obtaining the consent of the relevant Fund(s) (including, where authorized, the consent of each Fund's LP Advisory Committee) to such transactions. In certain circumstances, ZMC reserves the right to determine that the willingness of a third party to make an investment on the same terms demonstrates the fairness of the relevant transaction to the Fund under then-current market conditions. ZMC intends that any such transactions be conducted in a manner that it believes to be fair and equitable to each Fund under the circumstances, including a consideration of the potential present and future benefits with respect to each Fund.

Although ZMC generally structures Funds to avoid cross-guarantees and other circumstances in which one Fund ultimately bears liability for all or part of the obligations of another Fund, in certain circumstances lenders and other market parties negotiate for the right to face only select Fund entities, which may result in a single Fund being solely liable for other Funds' share of the relevant obligation and/or joint and several liability among Funds. In such case, ZMC intends to cause the relevant other Funds to enter into a back-to-back guarantee, indemnification or similar reimbursement arrangement, although the Fund undertaking the obligation in the first instance generally will not receive compensation for being primarily liable under these arrangements.

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

for a Fund, while the products or services recommended may not necessarily be the best available to a Fund or its Portfolio Companies.

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

ZMC, its affiliates, and equity holders, officers, principals and employees of ZMC and its affiliates reserve the right to buy or sell securities or other instruments that ZMC has recommended to a Fund. In addition, officers, principals and employees reserve the right to buy securities in transactions deemed unsuitable for a Fund. Any such transactions are subject to any restrictions in the Fund Agreements and any related policies and procedures set forth in ZMC's compliance manual. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of any Fund. Employees and related persons of ZMC have, and are expected to continue to have, capital investments in or alongside certain Funds, or in prospective Portfolio Companies directly or indirectly, and therefore expects to have additional potential conflicting interests in connection with these investments.

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

Because ZMC's carried interest is based on a percentage of net realized profits, it may create an incentive for ZMC to cause a Fund to make riskier or more speculative investments or to hold an investment longer than would otherwise be the case. Also, because there is a fixed investment period after which capital from investors in a Fund may only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of a Fund, based upon capital invested by such Fund, this fee structure creates an incentive to deploy capital when ZMC may not otherwise have done so.

Since ZMC is permitted to retain certain Supplemental Fees (as described under "Fees and Compensation") in connection with Fund investments, it expects to be subject to a potential conflict

of interest in connection with approving transactions and setting such compensation. In many cases, Supplemental Fees are based on enterprise value or other metrics relating to a portfolio company, and there can be no assurance that the amount of Supplemental Fees charged will be proportional to the amount of hours of work performed on behalf of the portfolio company. Additionally, ZMC, its personnel, affiliates or others designated by ZMC expect from time to time to receive compensation in the form of Portfolio Company securities. To the extent any such securities are received, after any applicable offset provisions in the Fund Agreements are applied, ZMC and/or such other recipients will be permitted to retain such securities as Supplemental Fees, and in doing so will be subject to potential conflicts of interest in determining whether to sell such securities (subject to restrictions imposed by the Portfolio Company and/or ZMC or retain such securities for a period consistent with their own financial and investment objectives, which may differ from those of the relevant Fund). In addition, because Portfolio Company securities typically represent newly issued incentive equity (whether in the form of common stock, warrants or options to buy common stock, or similar instruments), the receipt of compensation in the form of securities typically has the result of diluting a Fund's relative ownership of the Portfolio Company awarding such compensation.

In certain circumstances, such as those relating to short- or long-term portfolio company cash or liquidity needs, and regardless of whether the portfolio company is undergoing financial stress, ZMC reserves the right to accrue, defer or forego payments of Supplemental Fees, and reserves the right to charge interest at then-available rates with respect to such amounts. In such cases, in accordance with the Fund Agreements, investors will not receive the benefit of Management Fee offsets with respect to such amounts until they are actually received.

ZMC and/or its affiliates reserve the right to enter into Side Letters with certain investors in a Fund providing such investors with different or preferential rights or terms, including, but not limited to, different fee structures (including discounted or rebated compensation terms), information rights, specialized reporting, priority co-investment rights or targeted co-investment amounts, and liquidity or transfer rights. Side Letters may also relate to strategic relationships under which an investor agrees to make Commitments to multiple Funds. Except where required by Fund Agreements, other investors will not receive copies of Side Letters or related provisions, and as a general matter, the other investors have no recourse against a Fund, the relevant GP Entity or any of their affiliates in the event that certain investors have received additional and/or different rights and/or terms as a result of such Side Letters. As a consequence of one or more limited partners being excused or excluded, or from regulatory or other factors limiting their participation in investments, the aggregate returns realized by participating limited partners could be adversely affected in a material manner by the unfavorable performance of particular investments.

ZMC has incentives to use or to recommend products or services of one Portfolio Company to another, which may involve fees, commissions, servicing payments or other compensation. Potential conflicts of interest arise in making such recommendations, as ZMC has incentives to maintain goodwill between it and its former, existing and prospective Portfolio Companies, and as a result the products or services recommended may not necessarily be the best or lowest cost option. In most cases, the relevant Fund(s) will not consent, participate in the negotiations or be directly involved in such arrangements. Discounted prices or better terms offered by a Portfolio

Company to ZMC, any other Portfolio Company or third parties have the potential to affect the returns of the Portfolio Company.

From time to time ZMC, its affiliates and personnel expect to receive the benefit of “friends and family” and similar discounts from Portfolio Companies owned by the Funds under which such Portfolio Companies make their goods and/or services available at reduced rates. For example, ZMC has received benefits such as free event tickets from a Portfolio Company. Because its Portfolio Companies offer such discounts to customers other than ZMC and such persons as part of their standard commercial practices in an effort to expand their respective customer bases, ZMC believes that the potential for conflicts of interest relating to such discounts is mitigated. ZMC its affiliates and personnel generally refrain from requesting or negotiating for such discounts in the ordinary course.

Any of these situations subjects ZMC and/or its affiliates to potential conflicts of interest. ZMC attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by ZMC’s advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among a Fund, other Funds and such investment vehicles in a manner it believes to be fair and equitable to the Funds under the circumstances over time. To the extent that an investment or relationship raises particular conflicts of interest, ZMC will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, ZMC consults and receives consent to conflicts from an advisory committee consisting of limited partners of the relevant Fund(s) and such other investment vehicles.

## **Item 9: Disciplinary Information**

ZMC and its employees have not been involved in any material legal or disciplinary events that would be required to be discussed in this brochure.

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

Neither ZMC nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither ZMC nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor or an associated person of the foregoing entities.

ZMC does not recommend or select other investment advisers for the Funds.

Employees of ZMC often serve as directors and officers of certain Portfolio Companies and, in that capacity, are required to make decisions that consider the best interests of such Portfolio Companies and their respective shareholders. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of a Portfolio Company, actions that may be in the best

interests of the Portfolio Company may not be in the best interests of the respective Fund, and vice versa. Accordingly, in these situations, there will be conflicts of interest between such individual's duties as an employee of ZMC and such individual's duties as a director or officer of such Portfolio Company. ZMC intends to deal with such potential conflicts in a fair and appropriate manner based on the particular facts and circumstances giving rise to the potential conflict of interest.

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

ZMC has adopted a Code of Ethics (the "Code") pursuant to Rule 204A-1 under the Advisers Act that is predicated on the principal that ZMC owes a fiduciary duty to the Funds. Accordingly, employees of ZMC and its affiliates must disclose or avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interest of the Funds. A copy of the Code will be provided to any investor or prospective investor upon request.

Employees of ZMC and its affiliates are expected to come into possession, from time to time, of material non-public or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, employees of ZMC and its affiliates would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of ZMC.

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

ZMC's employees that are access persons must have written clearance for all transactions involving initial public offerings and private placements before completing the transactions. ZMC may disapprove any proposed transaction, particularly if the transaction appears to pose a conflict of interest or otherwise appears improper. ZMC also endeavors to maintain current and accurate records of all personal securities accounts of its access persons in an effort to monitor all such activity.

ZMC, certain of its employees, strategic partners or their affiliated entities will have an investment in each ZMC Fund. For example, the general partner for each ZMC Fund is 100% owned by ZMC's Principals and certain other investment professionals working for ZMC. In addition, each ZMC Fund general partner, together with the Principals, certain of ZMC's other members, officers, directors and employees of such general partner, ZMC and their respective affiliates, certain other executives of ZMC and/or operating advisors to the Funds, commits to participating in the related ZMC Fund's investment program through a Co-Invest Fund by contributing a certain percentage of such ZMC Fund's total capital commitments, which is determined by the applicable general

partner on an annual basis and cannot exceed 10%. Such capital commitments allow ZMC, its employees, strategic partners or their affiliated entities to invest in one or more particular portfolio investments made by the ZMC Funds. Therefore, ZMC is considered to participate in transactions effected for the ZMC Funds. ZMC does not believe this arrangement presents any material conflicts of interest because our interests and our employees' interests are aligned with the interest of investors in the ZMC Funds. In addition, any such investments are divested on the same terms and at the same time as the ZMC Funds' divestments, subject to applicable legal, tax, regulatory and other similar considerations.

## **Item 12: Brokerage Practices**

ZMC focuses on making investments in private securities, thus it does not ordinarily deal with any financial intermediary such as a broker-dealer, and commissions are not ordinarily payable in connection with such investments. To the limited extent ZMC transacts in public securities it intends to select brokers based upon the broker's ability to provide best execution for the Funds. ZMC is generally authorized to make the following determinations, subject to each ZMC Fund's investment objectives and restrictions, without obtaining prior consent from the relevant ZMC Fund or any of their investors: (i) which securities or other instruments to buy or sell; (ii) the total amount of securities or other instruments to buy or sell; (iii) the executing broker or dealer for any transaction; and (iv) the commission rates or commission equivalents charged for transactions. ZMC transacts in securities on behalf of the Co-Invest Funds only in accordance with their respective Fund Agreements.

In making its decisions regarding the allocation of brokerage transactions for the Funds, ZMC will consider a variety of factors including but not limited to: (i) the ability to effect prompt and reliable executions at favorable prices; (ii) the operational efficiency with which transactions are effected (such as prompt and accurate confirmation and delivery), taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker- dealer or counter party; and (iv) the competitiveness of commission rates in comparison with other broker-dealers. Although ZMC will generally seek competitive commission rates and commission equivalents, it will not necessarily pay the lowest commission or equivalent.

Transactions may involve specialized services on the part of a broker-dealer, which may justify higher commissions and equivalents than would be the case for more routine services.

ZMC does not participate in any soft dollar arrangements outside of receiving research available to other institutional investors. Research services received from brokers and dealers are supplemental to ZMC's own research effort. Outside of routinely available research, ZMC's policy is to bear the cost of research it receives and does not direct trading activity in lieu of payments for research or other services.

## **Item 13: Review of Accounts**

ZMC focuses on making private equity investments in middle-market companies. All investments are carefully reviewed and approved by the Principals, who are supported by ZMC's investment personnel. The Portfolio Companies are reviewed on a continuous basis and ZMC's investment professionals meet regularly to discuss investment ideas, economic developments, industry outlook and other issues related to current portfolio holdings and potential investment opportunities.

ZMC provides investors in the ZMC Funds with quarterly reports and capital account statements, capital call/distribution notices, and periodic press releases. Investors also receive annual audited financial statements.

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

No one other than the investors in the Funds provide an economic benefit to ZMC for providing investment advice or other advisory services to the Funds.

During a fundraising cycle, ZMC reserves the right to compensate placement agents who introduce investors that commit capital to a ZMC Fund. The amount paid to placement agents is based on point-in-time negotiation and all placement fees will be fully disclosed to investors referred by placement agents.

ZMC or its affiliates charge Portfolio Companies origination fees, breakup fees, consulting fees, monitoring fees and other similar fees as described above under "Fees and Compensation". Also, ZMC's investment professionals who serve on the board of directors of Portfolio Companies can receive cash compensation, options and/or restricted stock in their capacity as directors. In accordance with each Fund Agreement, a portion of these fees received by ZMC or any of its affiliates may be applied to reduce the Management Fee otherwise payable.

In addition, ZMC and its affiliates receive fees from companies that are not Portfolio Companies of the Funds or their affiliates and from those companies involved in the Funds' unconsummated transactions, and such fees do not reduce Management Fees. We do not believe that receiving such fees present conflicts of interest because we believe it is ultimately in the best interests of ZMC and the Funds to consummate any such transactions where feasible.

#### **Item 15: Custody**

ZMC has custody of client funds because an affiliate serves as the general partner, manager or similar governing entity of the Funds and Co-Invest Funds.

When ZMC identifies an investment that is suitable for the ZMC Funds, the general partner issues a capital call to the investors for the capital necessary to make the investment. This capital will be held with a qualified custodian until the investment is made.

Though the investments recommended by ZMC will generally be investments in private companies, ZMC's clients from time to time receive publicly traded equity securities in connection

with their investments. ZMC maintains evidence of all investments as required by Rule 204-2 under the Advisers. ZMC maintains all publicly traded equity securities with a qualified custodian.

Investors in ZMC Funds and Co-Invest Funds do not receive statements from custodians. Instead, the ZMC Funds and Co-Invest Funds are subject to an annual audit and the audited financial statements are distributed to each limited partner. The audited financial statements are prepared in accordance with generally accepted accounting principles and, in accordance with Rule 206(4)-2 of the Advisers Act, are distributed within 120 days of each fund's fiscal year end.

## **Item 16: Investment Discretion**

ZMC generally has discretionary authority to determine, without obtaining specific consent from the Funds or their limited partners, the securities and amount to be bought or sold. Any limitations on authority are included in the Confidential Private Placement Memoranda, Fund Agreements and other governing documents.

In addition, the ZMC Funds often enter into Side Letters with one or more investors without the approval of any other investor that have the effect of establishing rights under, or altering or supplementing the terms of the Fund Agreements or any subscription agreement of the ZMC Funds. As a result of such Side Letters, certain investors receive additional benefits that other investors do not receive. The other investors have no recourse against ZMC or any of its affiliates in the event that certain investors receive additional or different rights or terms as a result of such Side Letters.

## **Item 17: Voting Client Securities**

The Funds currently only hold private investments. Therefore, ZMC does not receive and/or vote proxies. From time to time, an affiliate of ZMC may receive and vote proxies with respect to Take-Two shares on behalf of, and under the direction of, ZMC's partners and employees who beneficially own such shares. Investors may obtain a copy of ZMC's proxy voting policies and procedures upon request.

## **Item 18: Financial Information**

ZMC has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.