

## **FIRM BROCHURE**

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**This brochure provides information about the qualifications and business practices of Braemont Capital Management LLC. If you have any questions about the information contained in this brochure, please contact us at (214) 833-8883. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**This brochure does not constitute an offer, solicitation or recommendation to sell or an offer to buy any securities, investment products or investment advisory services. Such an offer may only be made to eligible persons by means of delivery of offering and governing documents that contain a description of the material terms relating to such investments, products or services.**

**Braemont Capital Management LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.**

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

September 16, 2021

## Item 2: Material Changes

In connection with the annual updating amendment to our firm brochure, we will revise this item to include a summary of certain of the material changes made since our initial firm brochure.

*The information set forth in this brochure is qualified in its entirety by the applicable offering and/or governing documents. In the event of a conflict between the information set forth in this brochure and the information in the applicable governing and/or offering documents, such documents shall control.*

***We encourage all clients and investors to carefully review this document and/or any other applicable disclosure documents in their entirety.***

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## Item 4: Advisory Business

### FIRM DESCRIPTION AND OVERVIEW

Braemont Capital Management LLC, a Texas limited liability company and private equity fund manager (“Braemont,” “we,” “our,” or “us”), was formed in May 2021. We provide investment management, portfolio management, advisory and other services to various private equity funds and related vehicles with respect to primarily equity or equity-related investments in private portfolio companies. Our investment advice and management services is provided with respect to each fund or client in accordance with the investment objectives, strategies, guidelines, restrictions and limitations described in the applicable offering and/or governing documents of such client, and as further disclosed to investors in such client, and the information in this brochure is qualified in its entirety by the information set forth in such documents.

### PRINCIPAL OWNERS

We are ultimately owned and controlled (directly or indirectly) by Robert Covington.

### TYPES OF ADVISORY SERVICES

We provide investment management, portfolio management, advisory and other services to private equity funds, vehicles and other clients, which invest primarily in privately negotiated equity and equity-related investments in private portfolio companies. We currently do not expect to provide advice with respect to any investments other than private equity investments, but may consider other investment strategies in the future. Information about each client and its investment program are or will be set forth in the applicable offering and/or governing documents. Investment in a client does not and shall not create an advisory relationship between an investor in such client and us. **See Item 8 below.**

We are responsible for investing and re-investing the assets of each client (and for the selection of private equity investments) in accordance with the investment objectives, policies, limitations and guidelines set forth in its applicable offering and governing documents.

### INVESTMENT RESTRICTIONS

We provide investment advice to each client in accordance with the investment objectives, policies and guidelines set forth in the applicable offering and/or governing documents, and not in accordance with the individual needs or objectives of any particular investor in that client. Investors are not permitted to impose restrictions or limitations on the management of our funds or clients.

We, our clients and our affiliates have entered into, and may from time to time in the future enter into, side letter agreements or other similar agreements or arrangements (commonly referred to as “side letters”) with certain investors in a fund that have the effect of establishing rights or terms and/or otherwise benefitting such investors in a manner that is more favorable in various material respects than the rights and benefits established in favor of other investors pursuant to the applicable governing documents. Such rights or benefits in any side letter or similar agreement include or may include, without limitation, (i) most favored nations status, (ii) fees and/or carried interest reductions or waivers, (iii) reporting obligations of the applicable general partner, manager or us and/or preferential information rights, including access to information and documents relating to a fund and its investments, (iv) waiver of certain confidentiality obligations, (v) consent of the general partner to certain transfers by such investor, (vi) board seats and/or board observer rights, or (vii) rights or terms necessary or advisable in light of particular legal, regulatory or public policy considerations of an investor. Certain investors have the benefit of “most favored nation” protection and will be given the opportunity to elect the rights and terms in any side letter or other similar agreement that are applicable to such investors. *See* Item 10 for information regarding the rights and benefits granted to a strategic investor with respect to certain of our funds.

### ASSETS UNDER MANAGEMENT

As of August 31, 2021, we had approximately \$288 million in regulatory assets under management, all of which are managed on a discretionary basis.

## Item 5: Fees and Compensation

### FEE SCHEDULES

In consideration of our advisory services, we and/or certain of our affiliates generally are or may be entitled to receive management fees and/or carried interest distributions with respect to each client. Investors should carefully review the offering and governing documents of each client for a description and overview of the fees and expenses applicable to it. Nevertheless, an overview of our expected fee schedule with respect to each client is set forth below:

*Management Fees.* We are entitled to receive a management fee from or with respect to each client in accordance with the terms and conditions set forth in the applicable governing and/or offering documents. Except as otherwise determined or agreed by us and any particular investor, the management fee with respect to each investor in a fund (other than our affiliates and such other designated persons) generally is equal to two percent (2%) per annum of (i) with respect to each calendar quarter that occurs during such client's investment period, each investor's aggregate capital commitment to such fund, and (ii) thereafter, each investor's invested capital, reduced by write-offs, if any, then in effect to reflect the permanent impairment of value of any unrealized investments, as of such applicable date of determination.

Notwithstanding the foregoing, the management fee generally will be reduced (but not below zero), without duplication, by an amount equal to 100% of a fund's allocable share or portion of any (i) transaction fees received by us, the general partner and their affiliates and personnel from a portfolio company in respect of the applicable fund's investment therein, (ii) break-up or similar fees paid to us, the general partner and their affiliates and personnel with respect to transactions not completed or consummated, and (iii) monitoring, oversight, directors, financial advisory and other similar fees received by us, the general partner and their affiliates and personnel with respect to any investment, that are attributable to investors who are subject to the management fee, in each case, net of certain costs and expenses, as set forth in the applicable governing documents of such client; provided, however, such transaction fees will not include any amounts received by us, the general partner or any employee or personnel of us, any operating partner, strategic partner or consultant or any other person from or in respect of a portfolio investment or prospective investment (a) as reimbursement for expenses and costs related to such transaction, portfolio investment or prospective investment, (b) as payment or compensation for services provided to any portfolio company in the ordinary course of the portfolio company's business, (c) as compensation or remuneration or payment for services provided or performed by us, the general partner or any other person as an employee of or in a similar capacity for such portfolio company, (d) as fees or compensation for services rendered or products sold or licensed by an operating partner, strategic partner or consultant to a portfolio company or prospective investment, or (e) any other fees or compensation or expenses approved or consented to by the advisory committee of a fund. For the avoidance of doubt, any fees, compensation, remuneration, costs and/or reimbursement of expenses received by any operating partner, strategic partner, industry board or consultant or allocable or deemed to be attributable to any successor fund, co-investor, or other client or investor or other third party (as determined by the general partner in its discretion), will not result in any reduction in or offset to the management fees payable by a fund or any investor.

*Carried Interest Distributions.* The general partner of each client generally will be entitled to receive a carried interest distribution equal to twenty percent (20%) of net profits derived from the disposition of investments (following a return of aggregate capital contributions attributable to disposed investments and a preferred rate of return to investors). If (i) at the time of the expiration or termination of the investment period of a fund, (ii) on the five year anniversary of the expiration or termination of the investment period of a fund (and, subsequently, each five year anniversary of such date thereafter), and (iii) at the time of dissolution of a fund (each, a "clawback date"), and after giving effect to all other distributions made or to be made pursuant to the applicable governing documents of such fund, (A) the applicable general partner has received aggregate carried interest distributions in excess of the designated carried interest percentage of the net cumulative gains received by any investor in such fund (such excess, the "Excess Carried Interest") or (B) that investor has not received aggregate distributions to achieve the preferred return applicable in respect of a fund and repay the aggregate capital contributions made thereby, then immediately prior to such applicable clawback date, the applicable general partner of a fund will be required to contribute to such fund for distribution to such applicable investor an amount equal to the amount necessary in order for such investor to receive aggregate distributions to achieve the preferred return and a return of the aggregate amount of capital contributions made by that investor or, if no such amount exists, the amount of the Excess Carried Interest with respect to such investor that has not previously been repaid by the applicable general partner, subject to the terms and conditions set forth in the applicable partnership agreement.

Each investor in a fund generally is required to represent to us that it is, among other things, an “accredited investor” and either a “qualified purchaser” or “knowledgeable employee” of us, as each such terms are defined in the applicable U.S. securities laws. **See Item 7.**

Management fees and/or carried interest distributions generally will not be negotiable. However, we have entered into, and may from time to time in the future enter into, side letters or similar agreements or arrangements with one or more investors in a client that alter, modify, change or adjust the management fees or carried interest distributions applicable to such investors.

#### **PAYMENT OF FEES**

Management fees will be payable by each client to us or an affiliate on the first day of each calendar quarter in advance (commencing on the initial closing date of such client and continuing as of the beginning of each calendar quarter thereafter during the term of such client). Each investor (other than an affiliate or agent of us or our affiliates) will be responsible for its *pro rata* or allocable portion of any such management fees. Management fees are expected to be funded with capital contributions drawn for such purpose, but may also be funded with proceeds from investments or through borrowings made by such client. Installments of the management fee payable for any period other than a full calendar quarter will be adjusted on a prorated basis according to the actual number of days in that period.

Carried interest distributions with respect to a client will be calculated from time to time upon the disposition of investments by such client and are distributed to the general partner thereof (following a return of aggregate capital contributions and a preferred rate of return to investors, as more particularly described above).

#### **OTHER FEES AND EXPENSES**

In addition to management fees and carried interest distributions, each client generally will bear all costs and expenses in connection with the business and operations of such client, subject to the terms and conditions set forth in the applicable governing and/or offering documents and our expense allocation policy (as applicable).

Each client generally will bear, and reimburse us and our affiliates for, the client’s *pro rata* or allocable share of all costs, fees and expenses incurred in connection with the formation and organization of the client, any other related funds (including, without limitation, any parallel funds, feeder funds, alternative investment vehicles and subsidiary entities), its general partner, and the marketing and offering of interests in the client and any related funds including, without limitation, legal and accounting fees and expenses, filing fees and expenses, printing costs, accommodation, travel and entertainment costs, expenses and fees, regulatory or compliance costs (including expenses associated with the initial and/or preliminary registrations, filings and compliance and other offering requirements contemplated by the AIFMD or any law, rule or regulation relating to the implementation thereof in any relevant jurisdiction), “blue sky” filing fees and any expenses, costs and fees incident or similar to the foregoing; *provided* that the aggregate amount of any such organizational expenses that may be borne by a fund generally will be subject to a cap as described in the applicable offering and governing documents of such applicable fund.

Subject to the governing and/or offering documents, each client generally will be responsible for paying all costs and expenses of organizing and continuing such client and each subsidiary thereof, and investigating, pursuing, negotiating, acquiring, owning, holding, managing and disposing of the investments. Each client will also be responsible for, without limitation, the following expenses: (i) activities with respect to the identifying, sourcing (including meeting with consultants, operating or strategic partners, finders, broker-dealers and other sources of investments), structuring, organizing, negotiating, consummating, financing, refinancing, diligencing (including any subscriptions to any periodicals or databases and dues or membership fees for industry trade groups and related organizations), 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, a client’s portfolio companies and its actual and potential investments (including follow-on investments) or seeking to do any of the foregoing (including any associated legal, financing, commitment, transaction or other fees and expenses payable to attorneys, accountants, tax professionals, investment bankers, lenders, expert networks, third-party diligence software and service providers, consultants, operating partners or other strategic partners or persons and similar professionals in connection therewith and any fees and expenses related to transactions that may have been offered to co-investors), whether or not any contemplated transaction or project is consummated and whether or not such activities are successful; (ii) indebtedness of, or guarantees made by, us, the general partner, a client, any “affiliated partner” on behalf of a client (including any credit facility, letter of credit, or similar credit support), including repayment of principal and interest with respect thereto, or seeking to put in place any such indebtedness or guarantee; (iii) financing, commitment, origination and similar activities; (iv) broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, private placement, sales, investment

banker and similar services; (v) brokerage, sale, custodial, depository, and local paying agent (including a depository appointed pursuant to the Alternative Investment Fund Managers Directive (Directive 2011/61/EU) (“**AIFMD**”) and any Swiss representative and/or paying agent appointed pursuant to the Swiss Collective Investment Schemes Act (as amended) including any law, rule or regulation related to the implementation thereof), trustee, record keeping, account, registered office, and similar services; (vi) legal, accounting, research, auditing, administration (including fees and expenses associated with any third-party administrator and administration, tracking, performance or reporting software), information, appraisal, advisory, valuation (including third-party valuations, fairness opinions, appraisals or pricing services, as well as costs related to the establishment or maintenance of such services), consulting (including consulting and retainer fees, salary and other compensation paid and benefits provided to consultants performing investment initiatives or providing services related to cybersecurity or environmental, social, and governance investment considerations and policies, and other similar consultants), fees, costs, amounts and expenses paid or payable to or incurred by operating partners, strategic partners and consultants, tax, and other professional services, in each case, to the extent of any out-of-pocket fees, costs, expenses, liabilities, and obligations relating or attributable thereto (including any and all consulting fees and other expenses paid by the client to Consultants (as defined below)); (vii) reverse breakup, termination, and other similar arrangements; (viii) developing, structuring, maintaining, operating and winding up administrative structures in Luxembourg, other European countries and other non-U.S. jurisdictions that are put in place to operate the investment activities of a client (including the salary and benefits of any personnel reasonably necessary for the maintenance of such structures, other overhead, rent and similar costs in connection therewith and the applicable client’s share of any such costs of any such structure involving other persons managed by, or affiliated with, us, the general partner or any of our respective affiliates); (ix) insurance (including directors and officers liability, fidelity bond, cybersecurity, errors and omissions liability, employment practices liability, crime coverage, and general partnership liability premiums and other insurance and regulatory expenses, including any costs and expenses related to any retention or deductibles and broker costs and commissions) and any consultants or other advisors utilized in the procurement, review, maintenance and analysis of insurance policies; (x) filing, title, transfer, survey, registration and other similar activities; (xi) printing, communications, mailing, courier, marketing and publicity; (xii) the preparation, distribution, or filing of client-related or investment-related financial statements or other reports, tax returns, tax estimates, Schedule K-1s (or similar forms), other communications with partners, or any other administrative, compliance or regulatory filings or reports (including Form PF and Bureau of Economic Analysis Reports) or other information, including fees and costs of any third-party service providers and professionals related to the foregoing; (xiii) reporting, filing, and other ongoing compliance requirements (other than the initial and/or preliminary registrations, filings and compliance) contemplated by the AIFMD, including secondary legislation, regulations, rules and/or associated guidance, and any related requirements; (xiv) compliance with any tax or financial account reporting regime, including Foreign Account Reporting Requirements and any similar laws, rules and regulations, including any costs of any third-party service providers and professionals related to the foregoing; (xv) developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software (including accounting, investor reporting, ledger systems, financial management and cybersecurity), or other administrative or reporting tools (including subscription-based services) for the benefit of a client or the investors; (xvi) any activities with respect to protecting the confidential or non-public nature of any information or data, including confidential information pursuant to the applicable client’s governing documents; (xvii) to the extent provided in the governing documents, or otherwise approved by the general partner in its sole discretion, activities or proceedings of a client’s advisory committee (including any reasonable out-of-pocket costs and expenses incurred by a client’s advisory committee members, representatives of a client’s general partner, permitted observers and other persons in attending or otherwise participating in meetings of a client’s advisory committee); (xviii) indemnification (including legal and any other fees, costs and expenses incurred in connection with indemnifying any investor or other person pursuant to the governing documents and advancing fees, costs and 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 governing documents), except as otherwise set forth in the governing documents; (xix) actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including the costs and expenses of any discovery related thereto and any judgment, other award or settlement entered into in connection therewith; (xx) any annual investor meeting or other periodic or special, if any, meetings of the investors and any other conference or meeting (including via webcast or videoconference) with any investor(s) and any periodic executive forum of portfolio company management and/or other persons and related meal and entertainment expenses, in each case to the extent incurred by a client, the general partner or any other affiliate of the general partner; (xxi) the management fee; (xxii) except as otherwise determined by the general partner in its sole discretion, (A) any fee, cost, expense, liability, or obligation relating to any alternative investment vehicle or its activities, business, portfolio companies, or actual or potential investments (to the extent not borne or reimbursed by a portfolio company of such alternative investment vehicle) that would be a “fund expense” or “organizational expense” pursuant to the applicable client’s governing

documents if it were incurred in connection with such client, (B) any expenses incurred in connection with the formation, management, operation, termination, winding up and dissolution of any feeder vehicles related to a client to the extent not paid by the investors investing in such entities, and (C) any other costs or expenses related to any structuring or restructuring of a client or any related vehicles; (xxiii) the termination, liquidation, winding up, or dissolution of a client and any legal entities owned directly or indirectly by such client, including portfolio companies and related entities, and any fees and costs of third-party service providers and professionals related to the foregoing; (xxiv) defaults by investors in the payment of any capital contributions; (xxv) amendments to, and waivers, consents or approvals pursuant to, the constituent documents of a client, the general partner and related entities and any alternative investment vehicle of a client, including the preparation, distribution and implementation thereof; (xxvi) (A) complying with any law, rule, regulation, policy, directive or special measure (including in relation to privacy, data protection, know-your-customer, anti-money laundering, sanctions or anti-terrorism considerations) related to the activities of a client, including any legal, administrator, consulting, operating partner or strategic partner or other third party service provider fees and expenses related thereto, any regulatory expenses of the general partner of a client or its affiliates incurred in connection with the operation of a client, any costs and expenses related to cybersecurity and any costs and expenses related to compliance with any environmental, social, and governance or other investor considerations and policies applicable to the general partner or a client and/or their respective affiliates and/or (B) the validation or other confirmation of any payments made to a client or the general partner (including as a result of any anti-money laundering laws, rules or regulations); (xxvii) any litigation or governmental inquiry, investigation, or proceeding, including any costs and expenses of discovery related thereto and the amount of any judgments, settlements, or fines paid in connection therewith, except to the extent such expenses or amounts have been determined to be excluded from the indemnification provided for in the governing documents; (xxviii) any third-party experts, including independent appraisers, valuation agents, consultants or similar persons engaged or retained by the general partner or its affiliates in connection with a client considering, making, or holding an investment in the same entity as any other fund or separately managed account the commencement of operations of which is not prohibited under the governing documents; (xxix) unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer or withdrawal or proposed withdrawal by an Investor or any Investor's name change, internal restructuring or change in trust, registered agent, custodian, or similar relationship and any costs and expenses incurred in connection with the syndication of investments; (xxx) any taxes, fees, and other governmental charges levied against a client and all expenses incurred in connection with any tax audit, inquiry, investigation, settlement, or review of a client (except to the extent that a client is reimbursed therefor by a reimbursing Partner pursuant to the governing documents) and any costs of or related to the "partnership representative" of a client; (xxxi) distributions to the investors and other expenses associated with the acquisition, holding, and disposition of a client's investments, including extraordinary expenses; (xxxii) compliance or regulatory matters related to a client (except as otherwise set forth in the governing documents of a client), including compliance with the governing documents and any side letter or similar agreement, any costs, fees and expenses attributable to investor-related services and administering side letters entered into with Investors (including the process of compiling compendiums of side letter provisions and tracking and implementing applicability in accordance with any "most favored nations" clauses in side letters and expenses incurred in connection with Fund compliance checklists); (xxxiii) any travel (including the cost of using any private aircraft or other private air travel (including a private aircraft owned or partially owned or leased by us or our affiliates) up to (x) for air travel within the United States, an amount equal to reasonably comparable first class commercial airfare and (y) for air travel outside of the United States, an amount equal to reasonably comparable business class commercial airfare, other air travel, car or ride sharing services, and other modes of transportation), lodging, meals or entertainment relating to any of the foregoing and below, including in connection with consummated and unconsummated investment and disposition opportunities (including business development costs and expenses); (xxxiv) all costs and expenses associated with operating a feeder fund which invests all or substantially all of its assets in a client, including all expenses associated with its management, operation, winding-up, liquidating and dissolution and with preparing and distributing such feeder's financial statements, tax returns and feeder fund limited partner reports, but not including any income based or similar taxes, fees or other governmental charges levied against such feeder; (xxxv) any organizational expenses; (xxxvi) any placement fees and similar fees and commissions; (xxxvii) attendance of any member, manager, shareholder, partner, director, officer, employee or affiliate of the us or the general partner at any trade conference reasonably related to the investment activities of a client and/or its portfolio companies, including any applicable registration fees and exhibition, sponsorship or other presentation fees, costs and expenses; (xxxviii) any activities with respect to protecting the confidential or non-public nature of any information or data, including confidential information (including any costs incurred in connection with compliance with all applicable EU, California and other applicable privacy law rules, laws and regulations; (xxxix) any and all other applicable costs and expenses referenced or disclosed in our firm brochure from time to time, and (xl) any other fees, costs, expenses, liabilities or obligations approved by a client's advisory committee; in each case of clauses (i) through



(xl), whether or not any contemplated transaction is consummated and whether or not such activities are successful, including any opportunity offered to co-investors.

In the event a blocker fund or other parallel vehicle proposes to structure an investment using a blocker entity or vehicle or other intermediate entity in making a “passthrough investment,” all costs, expenses and reduction in proceeds attributable to such blocker or other intermediate entity or vehicle, including, without limitation, those related to the structuring, operation, formation and liquidation of, and all taxes incurred in connection with or related to or imposed on, a blocker or other intermediate entity may be allocated solely to, and borne solely by, the investors investing in and through the applicable blocker fund or similar parallel vehicle.

We expect to engage and retain, on behalf of or with respect to one or more funds or clients and/or portfolio investments, as applicable, consultants, operating partners, strategic partners, industry advisory personnel, current or former company executives or officers and other similar persons (collectively, “Consultants”), which, in certain instances, may be affiliates of the general partner or us, employees of such affiliates or employees of potential, actual or former portfolio investments or third party consultants or providers (including former executives and industry experts). The Consultants will provide various services to or with respect to, or in connection with, a fund or client in relation to its activities, or one or more portfolio investments, in relation to the identification, acquisition, holding, management, improvement and disposition of such portfolio investments, including operational aspects of such investments. Pursuant to the applicable governing documents of a fund or client, fees and expenses associated with or incurred by or in connection with such services provided to a fund or client will be paid and/or reimbursed to Consultants by applicable portfolio investments and/or a fund or client, and such consulting fees and expenses will not result in any offset against, or reduction to, any applicable management fees and, to the extent paid by a fund or client, will be borne by such fund or client as fund expenses. Additionally, portfolio investments may provide opportunities for Consultants to invest in such portfolio investment and reimburse costs and expenses incurred by Consultants. Consultants also may receive remuneration, compensation, fees and similar amounts from us and/or our affiliates and/or be entitled to other forms of compensation or fees, including equity grants in portfolio investments. Such investment opportunities, reimbursements and other compensation, fees and amounts paid to, or received by, a Consultant generally will not be offset against or result in any reduction of the applicable management fees, but may be retained by Consultants and not shared with a fund or client or its investors. Consultants may have a limited partnership or profit interest in a fund or client, a general partner of a fund or client, one or more other investment vehicles sponsored by us or an affiliate, or in other investment vehicles, entities and businesses.

The investment strategies and investment programs of each client generally are not expected to involve the purchase or sale of publicly offered securities, and as such, typically will not entail expenses related to brokerage commissions. To the extent applicable, each client generally will be responsible for and pays any of its custodial fees and expenses. **See Item 12 below.**

If expenses or costs are incurred by or for the account of a fund or client and any other present or future client, fund or separately managed account advised, managed or operated by us or our affiliates, then we generally will allocate such expenses among our applicable clients or funds in such manner or manner as we determine or consider in our discretion to be appropriate. In making such a determination, we may take into consideration or account such factors and considerations as we deem to be relevant or appropriate in our discretion.

The foregoing description is not intended to be exhaustive and is qualified in its entirety by the applicable governing and offering documents of each client.

#### **COMPENSATION FOR THE SALE OF SECURITIES OR OTHER INVESTMENT PRODUCTS**

Neither we nor any of our supervised persons expect to accept compensation for the sale of securities or other investment products. However, we or our affiliates and personnel and related parties may receive intangible and other benefits, discounts and perquisites arising or resulting from their activities on behalf of our clients, which will not offset or reduce management fees or otherwise be shared with our clients or investors therein. For example, airline or hotel stays will result in “miles” or “points” or credit in loyalty or status programs, and such benefits will, whether or not material or difficult to value, inure exclusively to the benefit of us, our affiliates or personnel or related parties receiving it, even though the cost of the underlying service is borne by the applicable client.

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

### **PERFORMANCE-BASED FEES**

As noted under Item 5 above, we or the general partner of a fund generally are or is entitled to receive carried interest distributions with respect to our clients. The carried interest distributions generally are not payable until after the investor's capital contributions are returned along with the applicable preferred rate of return.

Carried interest distributions received by a general partner of a fund is payable to the carried interest recipients who hold an equity interest in such general partner (including certain employees and personnel of Braemont and one or more strategic investors or third parties).

Carried interest distributions could motivate us, due to our relationship with our affiliates, to make investment decisions that are riskier or more speculative than would be the case if these arrangements were not in effect. For example, a carried interest distribution generally entitles our affiliate to a percentage of the net profits of a client; however, such affiliate is not required to bear the same proportion of the net losses, if any, suffered by a particular client as a whole. We generally will attempt to mitigate conflicts of interest associated with carried interest distributions through (i) the requirement that invested capital, a preferred return and expenses be returned to investors before our affiliate is entitled to receive any carried interest distributions; (ii) a substantial capital commitment to a client by us and our affiliates; and (iii) interim clawback determinations and a final clawback determination upon the liquidation and dissolution of a fund.

The method of calculating the carried interest may result in conflicts of interest with respect to the management and disposition of investments, including the sequence of dispositions.

Certain of our individual employees, agents and affiliates may be compensated to some extent based upon investment profits for which they are responsible and, accordingly, may face the same potential conflict.

In general, we will attempt to address any material conflicts through full and fair disclosure in the applicable offering documents and this brochure.

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

### **TYPES OF CLIENTS**

We provide investment management, portfolio management, advisory and other services with respect to pooled investment vehicles and related vehicles. We may in the future provide or perform investment advisory services with respect to additional pooled investment vehicles and other types of clients.

### **ACCOUNT REQUIREMENTS**

The minimum initial capital commitment generally required for an investor in a client will be \$1,000,000; provided that capital commitments of lesser amounts may be accepted by the general partner of a client in its discretion.

Each investor in a client generally will be required to represent that it is, among other things, an “accredited investor,” as such term is defined in Rule 501(a) of Regulation D under the Securities Act.

Each investor in a client will be required to represent that it is also, among other things, a “qualified purchaser” (as such term is defined in Section 2(a)(51)(A) of the Company Act) or a “knowledgeable employee” of Braemont.

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

### METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

The primary investment objective of each client and its related vehicles is to generate superior long-term capital appreciation, typically through privately negotiated equity and equity-related investments in private portfolio companies. Braemont identifies, sources and investigates potential investment opportunities for its clients which will generally invest in accordance with, and subject to certain adjustments set forth in, the applicable governing documents. Braemont will primarily source proprietary investments through its global network of family offices and entrepreneurs across industry verticals, capital structures and geographies. We expect that our clients will primarily make control and joint control investments in closely held, growth-oriented private companies in partnership with business founders and entrepreneurs. Our clients will seek to invest in companies that are or have the potential to become market leaders and that generate superior returns on invested capital and demonstrate customer captivity. Certain of our clients may accumulate minority positions in the tradable, highly syndicated or publicly traded debt or equity securities, or securities convertible into equity securities, of potential portfolio companies in order to seek a more meaningful investment in such company. Additionally, certain of our clients may also make investments in, or become sponsors of, special purpose acquisition companies (“SPACs”). Braemont will seek to create unique opportunities with a fundamental value-investing orientation supplemented by a differentiated investment strategy to optimize risk-adjusted equity returns over the investment holding period. Braemont’s investment process will involve careful review and due diligence, including an analysis of the competitive industry landscape, assessment of the management team and ownership structure, financial, accounting and tax review, legal and insurance due diligence and financial analysis. Prior to entering into any definitive agreement, transactions will be thoroughly reviewed by Braemont’s investment team. Braemont anticipates that its clients’ investment portfolios will be comprised of private investments across a range of equity securities that position each investment for the most attractive risk-adjusted return specific to that opportunity.

*The investment strategies summarized above are not intended to be comprehensive. For more information regarding our investment strategies and the investment program of each client, please see the applicable offering and/or governing documents of such client.*

### CERTAIN RISK FACTORS

*There can be no assurance that investors in a client will achieve their investment objectives or that investments in such client will be profitable. Each client’s investment strategy will involve a substantial degree of risk, including risk of complete loss. Nothing in this brochure is intended to imply, and no one is or will be authorized to represent, that our clients’ investment strategies will be low risk or risk free. These investment strategies will be appropriate only for sophisticated persons who fully understand and are capable of bearing the risks of investment. Prospective investors should consider the following risks, among others, before making any investment decisions. The various risks outlined below will not be the only risks associated with a client’s investment strategies and processes and will not necessarily apply to each investor. Investors are urged to consult with their own independent financial, legal and tax advisors before making any investment decisions. **The following risks are qualified in their entirety by the risks set forth in the applicable offering and/or governing documents of each client.***

**General Market and Economic Conditions.** Changes in general global, regional and U.S. economic and geopolitical conditions will affect our and our clients’ activities. Interest rates, general levels of economic activity, the price of securities and participation by other investors in the financial markets may affect the value and number of investments made by us and our clients or considered for prospective investment. Material changes and fluctuations in the economic environment, particularly of the type experienced following the 2008 global financial crisis that caused significant dislocations, illiquidity and volatility in the wider global economy, may affect our and our clients’ ability to make investments and the value of investments held by us and our clients or our and our clients’ ability to dispose of investments. The short-term and the longer-term impact of these events are uncertain, but they could continue to have a material effect on general economic conditions, consumer and business confidence and market liquidity. Any economic downturn resulting from a recurrence of such marketplace events and/or continued volatility in the financial markets could adversely affect the financial resources and outlook of our clients and their investments. Additionally, there have been discussion, dialogue and other action regarding potential significant changes to U.S. trade policies, legislation, treaties and tariffs, as well as trade policies and tariffs affecting Canada, China, the European Union and other countries. Tariffs and other trade restrictions previously or subsequently imposed by the U.S. and any further similar changes in U.S. trade policy have triggered some, and could trigger additional, retaliatory actions by affected

countries, possibly resulting in “trade wars”. At this time, it is unknown whether and to what extent new legislation will be passed into law, pending or new regulatory proposals will be adopted, international trade agreements will be negotiated, or the effect that any such action would have, either positively or negatively, on us, our clients or their investments. Investments can also be expected to be sensitive to the performance of the overall economy. Moreover, a serious pandemic, natural disaster, armed conflict, threats of terrorism, terrorist attacks, global pandemics or outbreaks of disease and the impact of military or other action could severely disrupt global, national and/or regional economies. A resulting negative impact on economic fundamentals and consumer and business confidence may also negatively impact market value, increase market volatility and reduce liquidity, all or any of which could have an adverse effect on the performance of our clients’ investments, their returns and our clients’ ability to make and/or dispose of investments. No assurance can be given as to the effect of these events on us, our clients or their investment objectives.

***Geopolitical Risks.*** An unstable geopolitical climate and continued threats of terrorism could have a material effect on general economic conditions, market conditions and market liquidity. 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 oil and gasoline and could affect certain investments financial results. Further, the United States government has issued public warnings indicating that energy assets might be specific targets of terrorist organizations. As a result of such a terrorist attack or of terrorist activities in general, such investments may not be able to obtain insurance coverage and other endorsements at commercially reasonable prices or at all. Additionally, a serious pandemic or a natural disaster could severely disrupt the global, national and/or regional economies. A resulting negative impact on economic fundamentals and consumer confidence may increase the risk of default with respect to particular investments of our clients, negatively impact market value, increase market volatility and cause credit spreads to widen and reduce liquidity, all of which could have an adverse effect on our clients’ returns and ability to make new investments. No assurance can be given as to the effect of these events on the value of or markets for investments.

***Governmental Intervention.*** In 2008, the global financial markets underwent disruptions that led to certain governmental intervention. The COVID-19 global pandemic has also led and will likely continue to lead to substantial governmental intervention (both in the United States and abroad). Such intervention, in certain cases, was or is being implemented on an “emergency” basis, suddenly and substantially eliminating market participants’ ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, these interventions were or are typically unclear in scope and application, resulting in confusion and uncertainty which in itself can be materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies. If governmental intervention programs are unwound, there could likewise be uncertainty and adverse effects on the markets. In the case of any future market disruptions, it is impossible to predict what interim or permanent governmental restrictions (or easing of restrictions) may be imposed on the markets or the effect of such restrictions on our or our clients’ investment strategies.

***Special Purpose Acquisition Companies.*** We make or recommend investments in special purpose acquisition companies (“SPACs”) and securities related or relating thereto, which are publicly traded companies formed for the purpose of raising capital through an initial public offering to fund the acquisition, through a merger, capital stock exchange, asset acquisition or other similar business combination, of one or more operating businesses. Capital raised through the initial public offering of securities of a SPAC is typically placed into a trust until the target company is acquired or a predetermined period of time elapses. Investors in a SPAC would receive a return on their investment in the event that a target company is acquired and such target company’s value increased. In the event that a SPAC is unable to locate and acquire target companies by the deadline, the SPAC would be forced to liquidate its assets, which may result in losses due to the expenses and liabilities of the SPAC. Investors in a SPAC are subject to the risk that, among other things, (i) such SPAC may not be able to locate or acquire target companies by the deadline, (ii) assets in the trust may be subject to third-party claims against such SPAC, which may reduce the per share liquidation price received by the investors in the SPAC, (iii) such SPAC may be exempt from the rules promulgated by the SEC to protect investors in “blank check” companies, such as Rule 419 promulgated under the Securities Act, so that investors in such SPAC may not be afforded the benefits or protections of those rules, (iv) such SPAC may only be able to complete one business combination, which may cause it to be solely dependent on a single business, (v) the value of any target company may decrease following its acquisition by such SPAC, (vi) the value of the funds invested and held in the trust decline, (vii) the inability to redeem due to the failure to hold the securities in the SPAC on the record date or the failure to vote against the acquisition and (viii) if the SPAC is unable to consummate a business combination, public stockholders will be forced to wait until the deadline before liquidating distributions are made.

In addition, to the extent that a SPAC completes a business combination, it may be affected by numerous risks inherent in the business operations of the acquired company or companies.

***Investments in Private Entities.*** Our clients' investment portfolios may consist primarily of securities issued by privately held entities for which no established market exists, and operating results in a specified period will be difficult to predict. Little public information exists about many private portfolio companies, and we will be required to rely on its diligence efforts to obtain adequate and sufficient information to evaluate the potential risks and returns involved or associated with investing in such companies. Income or inaccurate information could impact or effect both initial and ultimate valuations of our clients' investments. Therefore, the risk that we may invest on the basis of incomplete or inaccurate information may adversely affect our clients' investment performance. The uncertainty regarding information about our prospective investments involves a high degree of business and financial risk and subjects our clients to greater risk than investments in publicly-traded companies.

***Growth Equity Transactions.*** Our clients' strategy may include growth-equity investments. While growth-equity investments offer the opportunity for significant capital gains, such investments may involve a higher degree of business and financial risk that can result in substantial or total loss. Growth-equity portfolio companies may operate at a loss or with substantial variations in operating results from period to period, and many will need substantial additional capital to support additional research and development activities or expansion, to achieve or maintain a competitive position, and/or to expand or develop management resources. Growth-equity portfolio companies may face intense competition, including from companies with greater financial resources, better brand recognition, more extensive development, marketing and service capabilities and a larger number of qualified managerial and technical personnel.

***Dependence on Patents, Trademarks and Other Intellectual Property.*** Certain of the companies in which our clients invest will depend heavily on intellectual property ("IP") rights, including patents, copyrights, trade secrets, trademarks and servicemarks. The ability to effectively enforce patent, trademark and other IP laws will affect the value of many of these companies. IP disputes are frequent and can preclude commercialization of products, and IP litigation is costly and could subject a portfolio company to significant liabilities to third parties. The presence of patents or other proprietary rights belonging to other parties may lead to the termination of the research and development of a portfolio company's particular product. There can be no assurance that our clients or a portfolio company will be able to protect its own IP 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. Unauthorized access or theft of proprietary information may make a portfolio company or its products and services less valuable and more vulnerable to malicious attack. While piracy adversely affects portfolio company revenue in all jurisdictions, the impact on revenue from outside the U.S. is significant, particularly in countries where laws are less protective of IP rights. The absence of harmonized patent laws makes it more difficult to ensure consistent respect for the patent rights of portfolio companies. Reductions in the legal protection for software IP rights could adversely affect portfolio companies.

***Risks Related to Investments in the Technology Sector.*** Our clients may make equity and equity-related investments in technology-oriented portfolio companies. These companies will generally be small and less-seasoned and their equity securities will tend to be more volatile than the overall stock market. As a result, events affecting these companies, for example, intellectual property issues (including litigation over proprietary rights to technology), product roll-out delays or failures, rapid obsolescence, constant technical innovation, shifting technical standards, government regulation, new social trends, disproportionately large research budgets, marketing expenses and market penetration by competitors and the inability to attract and retain qualified technical and managerial employees, will affect the value of our clients' portfolios. In some instances, laws or regulations have been adopted or proposed that may pose material challenges to technology-oriented companies' respective business models. There can be no assurance that laws or regulations will not be passed that will have a material adverse effect on any of our client's portfolio companies.

***Technological and Scientific Innovations.*** Recent technological and scientific innovations have disrupted numerous established industries and those with incumbent power in them. As technological and scientific innovation continues to advance rapidly, it could impact one or more of our client's strategies. Moreover, given the pace of innovation in recent years, the impact on a particular investment may not have been foreseeable at the time our client made the investment. Furthermore, we could base investment decisions on views about the direction or degree of innovation that prove inaccurate and lead to losses.

**Investments in the Media Industry.** Our clients may make investments in portfolio companies involved in the media business or that are materially reliant upon the media business. The media business is subject to risks of adverse government regulation. Such regulation and legislation are subject to the political process and have been in flux over the past decade. Further material changes in the law and regulatory requirements must be anticipated, and there can be no assurance that the business of our clients' portfolio companies will not be adversely affected by future legislation, new regulation or deregulation. In addition, competitive pressures within the media-related industries are intense, and the securities of such portfolio companies can be subject to significant price volatility. Because the media-related industries are also subject to rapid and significant changes in technology, portfolio companies in these industries could face competition from technologies being developed or to be developed in the future by other entities, which could render such companies' products and services obsolete.

**Investments in the Communications Industry.** Our clients may make investments in portfolio companies involved or operating in the communications industry. Communications companies in developed and emerging countries are undergoing significant changes mainly due to evolving levels of governmental regulation or deregulation as well as the rapid 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 communications industry is subject to rapid and significant changes in technology, the companies in this industry that our clients may invest in will 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.

**Telecommunications Sector Risk.** The telecommunications market is characterized by increasing competition and regulation. Portfolio companies that operate in the telecommunications sector may encounter distressed cash flows due to the need to commit substantial capital to meet increasing competition, particularly in formulating new products and services using new technology. Technological innovations may make the products and services of telecommunications companies obsolete. Any such events may adversely affect our clients' investments in the telecommunications industry.

**FCC Attribution Risk.** The United States Federal Communications Commission (the "FCC") has promulgated a number of rules that restrict the ability of an entity to hold multiple or cross-interests in various communications companies. These rules affect investments in media companies, such as broadcast television and radio stations and networks and daily newspapers. Our clients may invest in these areas. The partnership agreements of our clients will contain provisions designed to ensure, to the extent possible, that our clients' investors are not deemed to hold an "attributable ownership interest" in any portfolio company subject to the FCC rules and regulations that determine the attributable status of our clients' investors based upon compliance with FCC criteria designed to insulate our clients' investors from any material involvement, direct or indirect, in the management or operation of the media or common carrier activities of our clients. Such provisions will generally preclude our clients' investors from engaging in any activities with respect to our clients or any such portfolio company that would be deemed inconsistent with such FCC rules, regulations and policies regarding the "insulation" of limited partners.

**Regulated Industries.** Our clients may be subject to certain restrictions when considering investments in regulated industries. As a result, our clients' general partners may restrict or limit transactions or exercise of rights for our clients or limit the amount of voting securities purchased by our clients or restrict the type of governance rights it acquires or exercises in connection with its investments in regulated industries. In addition, regulatory changes could occur during the term of a client that may materially and adversely affect such client.

**Customer and Supplier Concentration.** Certain portfolio companies may be reliant on a limited number of customers or suppliers, the loss of any one of which can have materially adverse effects on such companies.

**Micro, Small and Medium Capitalization Companies.** Our clients may make investments in securities of micro- and smaller-capitalization companies that involve higher risks in some respects than do investments in securities of larger "blue-chip" companies. For example, prices of securities of micro- and small-capitalization and even medium-capitalization companies are often more volatile than prices of securities of large-capitalization companies and may not be based on standard pricing models that are applicable to securities of large-capitalization companies. Furthermore, the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) may be higher than for larger, "blue-chip" companies. Finally, due to thin trading in the securities of some micro- and small-capitalization companies, an investment in those companies may be illiquid.

**Less Established Companies.** Our clients may make investments in companies that are in a conceptual or relatively early stage of development. These companies are often characterized by short operating histories, new technologies

and products, quickly evolving markets and management teams that may have limited experience working together, all of which enhance the difficulty of evaluating these investment opportunities. The management of such companies will need to implement and maintain successful marketing, finance, personnel and other operational strategies in order to become and remain successful. Other substantial operational risks to which such companies are subject include uncertain market acceptance of the company's products or services, a high degree of regulatory risk for new or untried and/or untested business models, products and services, high levels of competition among similarly situated companies, lower capitalizations and fewer financial resources and the potential for rapid organizational or strategic change. In addition, such companies may not be profitable at the time of investment and may experience substantial fluctuations in their operating results. The success of such companies may also depend on the management talents and efforts of one person or a small group of persons whose death, disability or resignation would adversely affect their businesses.

Relative to more mature companies, emerging companies often have not yet developed comprehensive legal, regulatory, financial audit, control and similar compliance capabilities. This will make it more difficult for us to conduct diligence upon prospective portfolio companies and to monitor companies in which our clients have invested, which enhances the risks that otherwise successful portfolio companies will experience adverse consequences due to violations of legal, regulatory or similar obligations. It also enhances the risks that portfolio companies or our clients will experience adverse consequences due to intentional wrongdoing by portfolio company personnel or third parties.

In addition to the risks above, emerging technology companies are subject to risks based on the characteristics of the industry, including the possibility that rapid technological developments may render a company's technology obsolete, uneconomical or uncompetitive prior to the company achieving profitability.

The public market for technology and other emerging growth companies is extremely volatile. Any such investments in emerging companies are considered highly speculative and are more likely to result in the loss of such client's entire investment.

***Late-Stage Investments and Access to Public Markets.*** It is anticipated that a portion of our clients' investment portfolios may consist of securities issued by companies that expect to go public within a relatively short period of time. However, there can be no guarantee that any portfolio company investment will result in a liquidity event via public offering on the anticipated timeline, or at all. In addition, certain of our clients' portfolio companies may choose to access the public markets through non-traditional means, including direct listings, which may not be successful or may lead to increased volatility in the trading price of their securities. Because there is no marketed offering conducted as part of a direct listing, a market for the securities may not develop as anticipated, or at all. Accessing the public markets through non-traditional means, such as a direct listing, has and may continue to draw questions from regulators and could subject any client portfolio company attempting such strategy to additional cost and uncertainty as it navigates the evolving landscape.

***Publicly Traded Companies.*** It is anticipated that a portion of our clients' investment portfolios will consist of securities issued by publicly traded companies (e.g., as the result of an initial public offering effected by a previously private portfolio company, acquisition of a private portfolio company by a publicly traded company or a direct investment in publicly traded securities). The fact that a portfolio company is publicly traded will not necessarily reduce the business and other risks associated with an investment in such company. Investments in publicly traded companies often are subject to other risks, such as increased risks of litigation and greater securities law and other regulatory burdens, as well as risks associated with "insider trading" and similar rules.

***Portfolio Company Approvals.*** Certain of our clients may invest in portfolio companies that require certain approvals in connection with their businesses. For example, portfolio companies operating in the automobile industry may be required to obtain manufacturer approval in connection with acquisitions and other business activities. Obtaining such manufacturer approvals may take a significant amount of time, and there is no assurance that manufacturers will approve these activities timely, if at all, which could significantly impair the execution of the strategies of such portfolio companies and negatively affect our clients' performance.

***Need for Additional Capital.*** Certain of our clients' portfolio companies may require additional financing, funding or investments to satisfy their working capital requirements or acquisition strategies. The amount of such additional financing needed will depend upon the maturity and objectives of the particular portfolio company. Each round of



financing (whether from our clients or other investors) is typically intended to provide a portfolio company with enough capital to reach the next major corporate milestone. If the funds provided are not sufficient, a company may have to raise additional capital at a price unfavorable to the existing investors. The availability of capital is generally a function of capital market conditions that are beyond the control of our client or any portfolio company. There can be no assurance that the portfolio companies will be able to predict accurately the future capital requirements necessary for success or that additional funds will be available from any source. The failure of any client to make any such additional investments in a portfolio company may result in a lost opportunity for such client to increase its participation in a successful portfolio investment or the dilution of such client's ownership in a portfolio company.

**Bridge Financings.** From time to time, our clients may lend to portfolio companies on a short-term, unsecured basis, or otherwise invest on an interim basis in companies in anticipation of a future issuance of equity or long-term debt securities or other refinancing or syndication. However, for reasons not always in our clients' or our control, such long-term securities issuance or other refinancing or syndication may not occur and such bridge loans and interim investments may remain outstanding and may potentially permanently increase the overall percentage of aggregate capital commitments dedicated to one investment. Any such loan or interim investment made by our clients involve the risk of loss of the entire amount of such loan or interim investment. In addition, with respect to the making of any such loans, our clients may be subject to various laws and regulations applicable to lenders and the holding of such loans could potentially subject our clients to various "lender liability" risks. In such event, the interest rate on such loans or the terms of such interim investments may not adequately reflect the risk associated with the position taken by our clients.

**Portfolio Company Debt.** Use of debt and borrowing increases a portfolio company's exposure to increasing interest rates, which could adversely affect its operating performance and cash flow. To the extent that a portfolio company is unable to generate sufficient cash flow to meet its debt service obligations, the value of the related investment could be significantly reduced or lost altogether. The profitability and survival of portfolio companies may depend on their ability to access sufficient sources of debt at attractive rates, which may or may not be available at any particular time. Business risks may be more significant in middle-market companies or those embarking on a build-up or operating turnaround strategy. Some portfolio companies may operate at a loss or have significant variations in operating results, may be engaged in a rapidly changing business or business environment with products subject to a substantial risk of obsolescence, may require substantial additional capital (which may not be available on attractive terms, if at all) to support their operations, finance expansion or maintain their competitive position, may be in an early stage of development or may otherwise have a weak financial position. If for any of these or other reasons a portfolio company is unable to generate cash flow to meet its operating expenses and working capital requirements, make principal or interest payments on its indebtedness, or make other required payments on its commitments, the portfolio company's business, financial condition and prospects could be materially adversely affected and the value of the related investment could be significantly reduced or even eliminated.

**Leveraged Nature of Investments.** While investments in leveraged portfolio companies offer the opportunity for capital appreciation, such investments also involve a high degree of risk. Our clients' investments will from time to time involve significant leverage, as a result of which economic recessions, operating problems and other general business and economic risks may have a pronounced effect on the profitability or survival of our clients' portfolio companies. Also, increased interest rates generally increase portfolio company interest expenses. In the event any portfolio company cannot generate adequate cash flow to meet debt service, our clients may suffer a partial or total loss of capital invested in the portfolio company. U.S. tax-exempt investors in our clients should note that the use of leverage by our clients (or any of its portfolio companies) may generate UBTI.

**Reliance on Management of Portfolio Companies.** Although we monitor the performance of portfolio companies and generally are involved in the oversight thereof, we nevertheless rely substantially upon the management teams of such portfolio companies to operate such companies on a day-to-day basis. Consequently, the value of our clients' investments will be affected significantly by the efforts and decisions of portfolio company management teams. Because of their size and historical needs, many middle-market companies must rely heavily on the services of a limited number of key individuals, the loss of any one of whom could significantly adversely affect future performance. However, middle-market companies may not always be led by incumbent management teams/founders who possess a broad range of experience or professional managerial skills. Further, key executives/founders may be approaching the ends of their active business careers, requiring (upon retirement) the planned transition to professional management or a next generation of senior managers. In situations where incumbent managers or founders are supplemented with or replaced by professional management teams, operating cultures or key relationships with

customers, suppliers, personnel or others might be adversely affected. While we attempt during the due diligence process to assess the relative capabilities and depth of company managers and monitor performance over the course of an investment, no assurance is given that these efforts are or will be sufficient to overcome any decisions made or activities undertaken by management teams or that the supplementation or replacement of operating managers will be successful.

***Control Person Liability.*** Our clients generally intend to establish control positions in, and we take an active role in the management of, portfolio companies. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management and other types of liability in which the limited liability generally characteristic of business operations may be ignored. Our clients may also seek to designate employees, agents or affiliates of our clients, the general partner of a client or us to serve on the boards of directors of portfolio companies. The designation of directors and other contemplated measures could expose the assets of our clients to claims by a portfolio company, its security holders and its creditors. While we intend to manage our clients in a way that will reduce exposure to these risks, the possibility of successful claims cannot be precluded.

***Risks in Effecting Operating Improvements.*** Our clients' investment strategies will depend, at least in part, on the ability of our clients, the general partners of our clients, us and our affiliates to restructure and effect improvements in the operations of a portfolio company, thereby increasing its profits during the applicable client's investment period. The activity of identifying and implementing restructuring programs, operating improvements and other means of increasing profitability at portfolio companies entails a high degree of uncertainty. There can be no assurance that we will be able to successfully identify and implement such restructuring programs and improvements.

***Minority Investments.*** Our clients may invest in (i) debt or debt-related investments, (ii) minority positions in portfolio companies with minority protection rights, and/or (iii) structured investments that are intended to provide our clients with downside protection and the opportunity to influence the operational activities of a portfolio company. In such cases, our clients generally will rely significantly on the existing management and board of directors of such companies, which may include representation of other financial investors with whom our clients are not affiliated and whose interests may conflict with the interests of our clients. Moreover, our clients may have a limited ability to protect its investments in such portfolio companies, although it is expected that appropriate minority investor rights generally will be sought to protect our clients' interests. There can be no assurance that such rights will be available or obtained or that such rights will provide sufficient protection of our clients' rights. Where a client holds a minority stake, it may be more difficult for such client to liquidate or dispose of such investment than it would be had such client owned a controlling interest in such company. Even if a client has contractual rights to seek or obtain liquidity of such client's minority interests in such companies, it may be very difficult as a practical matter to sell such interests or seek a sale of such company on terms that are acceptable to such client, especially in cases where the other investors in such company have differing business and investment objectives and goals.

***Equity Investments.*** The market price of securities owned by our clients may go up or down, sometimes rapidly or unpredictably. A risk of investing in any of our clients is that the equity securities in such client's portfolio will decline in value due to factors affecting equity securities markets generally or particular industries or issuers represented in those markets. The values of equity securities may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Other risks of investing globally in equity securities may include changes in currency exchange rates, exchange control regulations, expropriation of assets or nationalization, imposition of withholding taxes, and difficulty in obtaining and enforcing judgments against non-U.S. entities. In addition, securities which we believe are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame we anticipate. As a result, our clients may lose all or substantially all of its investment in any particular instance.

***Preferred Securities.*** Certain preferred securities contain provisions that allow an issuer under certain conditions to skip or defer distributions for a stated period without any adverse consequences to the issuer. If a client owns a preferred security that is deferring its distribution, it may be required to report income for tax purposes despite the fact that it is not receiving current income on this position. Preferred securities often are subject to legal provisions that allow for redemption in the event of certain tax or legal changes or at the issuer's call. In the event of redemption,

such client may not be able to reinvest the proceeds at comparable rates of return. Preferred securities are subordinated to bonds and other debt securities in an issuer's capital structure in terms of priority for corporate income and liquidation payments and, therefore, will be subject to greater credit risk than those debt securities.

**Convertible Securities.** Our clients may invest in convertible securities. Convertible securities are bonds, debentures, notes, preferred stocks or other securities that give the holder the right to convert or exchange the security for an amount of common stock (or equivalent) of the same or different issuer within a particular period of time at a specified price or based on a formula. Generally, a convertible security entitles its holder to receive interest, which may be paid in cash or in-kind (e.g., a dividend) until the convertible security matures or is redeemed, repurchased, converted or exchanged. Convertible securities have unique investment characteristics in that they generally: (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities; (ii) have a stated value; and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases.

The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value" (the security's worth, at market value, if converted into the underlying security). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer, volatility of the issuer's securities and other similar dated option instruments and other factors may also have an effect on the convertible security's investment value. The conversion value of a convertible security is determined by the market price of the underlying security (e.g., common stock). If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by a client is called for redemption, such client generally will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on a client's ability to achieve its investment objective.

**Initial Public Offerings.** Participation in and trading of securities with respect to initial public offerings is an investment approach in which we may engage on behalf of our clients. To this end, we maintain relationships with investment banks, service providers, company executives and others which may, from time to time, result in allocations to our clients of securities of companies in initial public offerings. The possibility of the purchase and sale by our clients from time to time of securities of companies in initial public offerings or shortly thereafter involves special risks, including a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the company and limited operating history. These factors could contribute to substantial price volatility for the shares of these companies and, thus, for our clients. The limited number of shares available for trading in some initial public offerings may make it more difficult for our clients to buy or sell shares without an unfavorable impact on prevailing market prices. Further, such risk may be exacerbated if one or more other funds or clients attempt to buy or sell the same securities as our clients in any public offering. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them.

To the extent our clients participate in initial public offerings registered under the Securities Act (i.e., new issues), Investors who are "restricted persons" under FINRA rules, as well as executive officers and directors of certain companies that have or may have certain investment banking relationships with broker-dealers selling new issues, will be limited in the amount of profits or losses that they may be allocated from such new issues in which such client invests or prohibited entirely from participating in such new issues.

**Private Investments in Public Equities.** Our clients may make private investments in public equities ("PIPEs") and thereby take a position in a public company. In a PIPE transaction, a client may be required to enter into a lock-up

agreement and will be subject to securities law restrictions on its ability to liquidate the shares. As a result, such client may be required to bear the price risk from the time of pricing for a period of six (6) months or longer. In addition, such client may have to commit to purchase a specified number of shares at a fixed price, with the closing conditioned upon, among other things, the SEC's preparedness to declare effective a resale registration statement covering the resale, from time to time, of the shares sold in the private financing. To the extent that the public market for such companies declines, it is possible that private investments in public equities transactions may generate losses or returns that do not justify the risk associated with such investments. In addition, due to securities law regulations, such client may be restricted from selling, or hedging its exposure to, such securities during a time when the client would otherwise seek to do so. For example, such client may be required to hold such security even though the value of such security is continuing to decrease.

***Illiquidity of Investments.*** Our clients are expected to make investments in securities that have limited liquidity. Such investments may typically take from 3 to 10 years from the date of initial investment to reach a state of maturity when partial or complete realization of the investment can be achieved. Transaction structures typically will not provide for liquidity of our clients' investment prior to that time. Generally, there will be no readily available market for a substantial amount of our clients' investments. Most investments held by our clients may not be able to be sold except pursuant to a registration statement filed under the Securities Act or in accordance with Rule 144, Regulation D or another exemption under the Securities Act. The market prices, if any, of such investments tend to be volatile, and our clients may not be able to sell such investments when it desires, or, upon sale, to realize what it perceives to be their fair value. Further, companies whose securities are not publicly traded are not subject to the disclosure and other investor protection requirements applicable to publicly traded companies. In light of the foregoing, it is likely that no return from the disposition of our clients' investments will occur until a significant period of time has passed. Furthermore, disposition of such investments may result in distributions in-kind to investors. If our clients are unable to sell or otherwise dispose of an investment by the end of its respective term, our clients and/or the investors may receive an in-kind distribution of their respective *pro rata* share of that investment, which may be illiquid. Although the general partners of our clients generally expect that investments will either be disposed of prior to the end of a client's term or be suitable for in-kind distribution, the applicable general partner may need to sell, distribute or otherwise dispose of investments at disadvantageous times or prices at the end of the applicable client's term or otherwise. In addition, although the general partners generally expect to use commercially reasonable efforts to reduce to cash and cash equivalents all of our clients' investments to the extent practicable, 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 our clients' investors will occur.

***Investments in Distressed Securities and Restructurings.*** Our clients may make investments in restructurings that involve portfolio companies that are experiencing or are expected to experience severe 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 our clients to certain additional potential liabilities that may exceed the value of our clients' original investment therein. For example, under certain circumstances, payments to our clients and distributions by our clients to their investors may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, a preferential payment or similar transaction under applicable bankruptcy and insolvency laws. Furthermore, investments in restructurings may be adversely affected by statutes related to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims or re-characterize investments made in the form of debt as equity contributions.

***Debt Investments.*** Our clients may invest in bonds, notes, debentures and other debt-related instruments issued by portfolio companies. These investments may pay fixed, variable or floating rates of interest and may include zero coupon obligations. Our clients may invest in portfolio company debt instruments that have experienced or are contemplated to experience ratings downgrades. Other instruments may have the lowest quality ratings or may be unrated. Credit ratings evaluate the safety of the principal and interest payments, not the market value risk of lower-rated instruments. Such ratings also do not reflect macroeconomic or systemic risk, including the risk of increased illiquidity in the credit markets. It is also possible that a rating agency might not change its rating of a particular issue on a timely basis and, as a result, outstanding ratings may not reflect the portfolio company's current credit standing. Conversely, rating agencies may re-rate an instrument which could cause substantial loss if the ratings are downgraded. Investments may experience significant credit rating volatility. In addition, our clients may be paid interest in kind in connection with portfolio company debt and related financial instruments (*e.g.*, the principal owed to our clients in connection with a debt investment may be increased by the amount of interest due on such debt

investment). Such investments may experience greater market value volatility than debt obligations that provide for regular payments of interest in cash and, in the event of a default, our clients may experience substantial losses. To the extent our clients makes any debt investments, such investments will typically be subordinated to the senior obligations of an issuer, either contractually or structurally. Such subordinated investments may be characterized by greater credit risks than those associated with the senior obligations of the same issuer. Adverse changes in the financial condition of an issuer, general economic conditions, or both may impair the ability of such issuer to make payments on the subordinated securities and result in defaults on such securities more quickly than in the case of the senior obligations of such issuer.

**Board Participation.** Our clients generally expect to be represented on the boards of directors of most portfolio companies or may have its representatives serve as observers to such boards of directors. Although such positions in certain circumstances may be important to a client's investment strategy and may enhance such client's ability to manage its investments, such positions may also have the effect of impairing a client's ability to sell or otherwise dispose of an investment (in whole or in part) when, and upon the terms, we or the general partner of a client may otherwise desire and may subject such client and others to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other director-related claims. In general, our clients will indemnify us, their general partner and our affiliates, officers, employees and representatives from any losses associated with such claims.

**Risks Relating to Due Diligence of Portfolio Companies.** Before making investments, we or the general partner of a client will typically conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, regulatory and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties may also be involved in the due diligence process to varying degrees depending on the type of investment. Such involvement of third-party advisors or consultants may present a number of risks primarily relating to a client's general partner's reduced control of the functions that are outsourced. In addition, if we or a client's general partner are unable to timely engage third-party providers, their ability to evaluate and acquire more complex targets could be adversely affected. When conducting due diligence and making an assessment regarding an investment, we or a client's general partner will rely on the resources available to us, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that the us or a client's general partner 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. Moreover, such an investigation will not necessarily result in the investment being successful. Conduct occurring at portfolio companies, even activities that occurred prior to a client's investment therein, could have an adverse impact on such client.

**Relationships of Affiliates of the Us and Our Affiliates to Portfolio Companies.** One or more portfolio companies engage our affiliates or employees to provide services (or as officers or directors), and may pay to such person compensation or fees and reimbursement of certain expenses in connection therewith. Accordingly, our affiliates, independent contractors or employees may have interests that arise out of providing services to portfolio companies (such as the receipt of consulting and other fees) which conflict with the interests of our clients as an investor in those portfolio companies. Our affiliates, independent contractors and employees may provide services to enterprises that compete with portfolio companies for customers, suppliers, management or financial resources or in other respects. In addition, our affiliates and employees may assist other enterprises in obtaining capital and in acquisitions and dispositions of businesses, which may conflict with the interests of the portfolio companies.

**Co-Investments with Third Parties, Non-Controlling Investments and Limited Rights as Shareholder.** In connection with co-investments, our clients may hold non-controlling interests in certain portfolio companies and, therefore, may have a limited ability to protect its interests in such companies and to influence such companies' management. In addition, co-investments may be made with third parties through joint ventures or other entities, which may have larger or controlling ownership interests in such portfolio companies. In such cases, our clients will rely significantly on the existing management and board of directors of such companies, which may include representatives of other financial investors with whom our clients are not affiliated and whose interests may at times conflict with the interests of our clients. Such co-investments may involve risks in connection with such third-party involvement, including the possibility that a third party may be in a position to take (or block) action in a manner contrary to a client's investment objectives or may have financial difficulties resulting in a negative impact on such investment. In addition, our clients may in certain circumstances be liable for the actions of its third-party co-venturers. Co-investments made with third

parties in joint ventures or other entities also may involve carried interests and/or other fees payable to such third-party partners or co-venturers. There can be no assurance that appropriate minority shareholder rights will be available to our clients or that such rights will provide sufficient protection to our clients' interests.

***Contingent Liabilities upon Disposition of Investments.*** In connection with an investment, our clients may assume, or acquire an interest in a portfolio investment 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 that these liabilities are incurred or realized or our clients are unable to negotiate or collect on any indemnification relating thereto, they may materially adversely affect the value of a portfolio investment. In addition, if our clients have assumed or guaranteed these liabilities, the obligation would be payable from the assets of such client, including the unfunded capital commitments of investors.

Furthermore, in connection with the disposition of an investment, our clients may be required to make (and/or be responsible for another person's or entity's breach of) representations and warranties, *e.g.*, about the business and financial affairs of the applicable portfolio investment, the condition of its assets and the extent of its liabilities, in each case generally in the nature of representations and warranties typically made in connection with the sale of similar businesses, and may be responsible for the content of disclosure documents under applicable securities laws. Our clients may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents are inaccurate. These arrangements may result in contingent liabilities, which would be borne by our clients and, ultimately, their investors.

***Environmental Risks.*** Portfolio companies generally are subject to numerous statutes, rules and regulations relating to environmental protection, under which a current or previous owner or operator of real property may be liable for non-compliance with applicable environmental and health and safety requirements and for the costs of investigation, monitoring, removal or remediation of hazardous materials. Our clients may be exposed to substantial risk of loss from environmental claims arising in respect of portfolio companies.

***Adverse Publicity.*** Each of us, our clients and their general partners face the risk of negative publicity, including in matters such as labor disputes and adverse environmental attention, as well as arising out of municipal and federal government scrutiny both in the United States and globally. Additionally, our employees and independent contractors or those of a portfolio company could pursue claims against the us or our clients or a portfolio company, which may draw negative publicity, as well as negative news media attention. Such adverse publicity may have a material effect on our or the general partner's ability to source investments or otherwise meet our clients' investment objectives. Moreover, recently, the private equity industry has been subject to negative publicity and negative commentary globally, including from both the media and politicians. While it is yet to be seen whether such adverse publicity and commentary will adversely impact the private equity industry, there is a risk that during a client's term such negative publicity may lead to increased regulation or scrutiny of the industry or otherwise have an adverse effect on such client's ability to meet its investment objectives.

***Expedited Transactions.*** Investment analyses and decisions by the us and our clients' general partners may be undertaken on an expedited basis in order for our clients to take advantage of available investment opportunities. In such cases, the information available to the us or our clients' general partners at the time of the investment decision may be limited, and we or our clients' general partners may not have access to the detailed information necessary for a thorough evaluation of the investment opportunity. Further, we or our clients' general partners may conduct their due diligence activities over a very brief period.

***Identification of Suitable Investment Opportunities.*** Our clients' success may depend primarily upon the identification and availability of suitable investment opportunities. The business of identifying and structuring private equity investments is highly competitive and involves a high degree of uncertainty and risk. There generally is little or no publicly available information regarding the status and prospects of companies in which our clients investor is considering an investment. Many investment decisions by us and the general partner of our clients are dependent upon the ability of us and the general partners of our clients and our agents to obtain relevant information from non-public sources, and we often are required to make decisions without complete information or in reliance upon information provided by third parties that is impossible or impracticable to verify. The availability of investment opportunities is subject to market conditions and certain other factors that are outside of our control or the control of the general partners of our clients. Investors in our clients may never be fully invested if we cannot or do not identify enough

sufficiently attractive investments during a client's investment period. There can be no assurance that we will be able to identify sufficient attractive investment opportunities to meet our clients' investment objectives or that our clients' investors will be able to participate in any such investment opportunities.

**Competition for Investments.** Our clients may compete for the acquisition of investments with other investors, some of which will have more resources than our clients or us. Such competitors may include investment funds as well as individuals, large publicly-traded companies, financial institutions and other institutional investors. Further, over the past several years, an ever-increasing number of private investment funds have been formed (and many existing funds have grown in size). In addition, the availability of investment opportunities generally will be subject to market conditions as well as, in some cases, the prevailing regulatory or political climate.

**Borrowing.** The general partner of a client may cause such client to borrow funds, guarantee third-party loans or other extensions of credit made by portfolio companies or potential portfolio companies (or subsidiaries thereof) and otherwise utilize leverage in connection with a client's investment program in accordance with the terms and limitations set forth in the applicable partnership agreement. Although the general partners of our clients will seek to borrow funds and otherwise utilize leverage and borrowing in a manner it believes to be prudent and reasonable under the circumstances, the use of borrowed funds and leverage generally will involve a high degree of financial risk. In addition, borrowings by our clients will expose our clients to interest rate risk, and our clients may be less likely to be profitable or meet its goals if interest rates increase. If a client does not receive sufficient cash flow from its investments to meet principal and interest payments on any such borrowings, then that client may need to dispose of its investments sooner or at a lower price than it otherwise would have in order to pay the debt. Borrowings by our clients have the potential to enhance overall returns that exceed our clients' cost of funds; however, they will further diminish returns (or increase losses on capital) to the extent overall returns are less than our clients' cost of funds.

**Litigation.** Our clients' investment activities may subject them or their affiliates to the risks of becoming involved in litigation with third parties. The expense of defending against claims against our clients or their portfolio companies, as applicable, by third parties and the payment of any amounts pursuant to settlements or judgments would be borne by our clients and/or the portfolio companies, reduce distributions and could require our clients and/or investors in our clients to return distributed capital and earnings to our clients. We and the general partners of our clients and our respective principals and affiliates generally will be indemnified by our clients in connection with any such litigation, subject to certain conditions.

**Portfolio Company Projections.** We generally will evaluate the potential and existing portfolio companies on the basis of financial projections. Projected operating results normally will be based primarily on management judgments. In all cases, projections are only estimates of future results which are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained and actual results may vary significantly from the projections, as general economic conditions and other factors out of the control of the general partner of our clients may negatively impact the reliability of the financial projections.

**Conflicts of Interest.** Various actual and potential conflicts of interest exist (or may exist) among us, the general partners of our clients, key executives, the members of our clients' investment committee, as applicable, affiliates of the general partners of our clients, their respective employees, agents, and affiliates and our clients, including actual and potential conflicts of interest related to fees, portfolio composition and valuation, principal and cross transactions, expense allocation, principal and other related party or conflicted transactions, treatment of other investors, limitation of liability, indemnification, allocation of investment opportunities among our various clients, outside business activities and personal trading. In addition, we may in the future provide investment management services to multiple clients, and may face various actual and potential conflicts of interest relating thereto. Investors in our clients ultimately will be heavily dependent upon our good faith. During a client's term, many different types of conflicts of interest may arise and all such conflicts may not be identified herein.

**Limited Diversification.** Our clients generally intends to make a limited number of investments. A consequence of a limited number of investments or of similar investments is that the aggregate returns realized by the investors in our clients may be substantially adversely affected by the unfavorable performance of a small number of these investments. Although we may seek to broaden a client's investment portfolio, our clients are not expected to have fixed guidelines for diversification and our clients will not be limited in the percentage of its capital that they may invest in any investment or type or class of investments, and as a result may invest all or a substantial portion of its

assets in a particular industry. Various factors, including prevailing market conditions, may inhibit our efforts to create a broad investment portfolio. As a result, our clients' investments may be concentrated in relatively few companies, industries and regions.

**Cybersecurity Risks.** We, our clients and our respective affiliates and service providers depend on information technology systems and, notwithstanding the diligence that we or our affiliates may perform on its or our clients' service providers, it may not be in a position to verify the risks or reliability of such information technology systems. We, our clients and our respective affiliates and service providers are subject to risks associated with a breach in cybersecurity. "Cybersecurity" is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from both intentional cyber-attacks and hacking by other computer users as well as unintentional damage or interruption that, in either case, can result in damage and disruption to hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. We, our affiliates and our information and technology systems are vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although we have implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, we or an affiliate may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in our, our client's or any of our respective affiliates' operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm our or our affiliates' reputation, subject any such entity and their respective affiliates to legal claims and otherwise affect its business and financial performance. Such damage or interruptions to information technology systems may cause losses to our clients or individual investors by interfering with the operations of us and our affiliates (or their service providers). Our clients may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage. Any such breach could expose our clients, us and our respective affiliates to civil, legal or regulatory liability as well as regulatory inquiry and/or action, and our clients may be required to indemnify us and our affiliates against any losses incurred in connection therewith. Cybersecurity issues and risks are currently a major focus area of the SEC and other regulatory authorities.

**Epidemics, Pandemics, and Public Health Issues.** Our operations and business activities and the business and activities of our clients could be materially adversely affected or impacted in the future by the continuation or worsening of the COVID-19 global pandemic and other outbreaks of disease, epidemics, pandemics and public health issues, whether globally or limited to particular regions of the world, such as diseases or public health issues caused by other novel coronaviruses (including as a result of the emergence of new coronaviruses), Ebola virus disease, H1N1 flu, H7N9 flu, H5N1 flu (and other types or subtypes of influenza viruses), Severe Acute Respiratory Syndrome, or SARS, or other epidemics, pandemics, outbreaks of disease or public health issues. In particular, coronavirus disease 2019 (or COVID-19), an infectious disease caused by Severe Acute Respiratory Syndrome coronavirus 2 (SARS-CoV-2), was first identified in December 2019 and has since spread rapidly globally, resulting in an ongoing global pandemic. The COVID-19 global pandemic has severely and materially affected (and may continue to negatively affect and materially impact) the global economy, global equity markets and supply chains (including as a result of quarantines, shelter-in-place orders, social-distancing measures and other government-directed or mandated measures or actions to stop or slow the spread of SARS-CoV-2 and COVID-19). Although the short-term and long-term effects and consequences of COVID-19 (and the actions and measures taken or mandated by governments around the world to halt or slow down the spread of SARS-CoV-2 and COVID-19) cannot currently be predicted, previous occurrences of other epidemics, pandemics and outbreaks of disease, such as the 1918 influenza pandemic (also referred to as the Spanish flu pandemic) and the 2002-2004 SARS outbreak in Asia, had material adverse effects on the economies, capital markets and basic day-to-day operations of (and activities in) those countries and jurisdictions in which they were most prevalent. Recent efforts, actions and measures undertaken by governments, businesses and communities to protect the public health in the face of the COVID-19 pandemic (including measures designed or intended to "flatten the curve" and protect the healthcare systems in such applicable countries and jurisdictions from collapse or undergoing significant breakdowns) have resulted in partial or complete shutdowns of many sectors of the economy generally as well as severe restrictions, limitations and consequences on the means by which we operate our business (e.g., travel restrictions or bans, mandatory quarantines, shelter-in-place orders and social distancing measures and



rules), which could adversely affect or negatively impact the business, activities, financial condition, and operations of us and our clients indefinitely. If and to the extent the economy and businesses begin to reopen and are allowed to resume operations or activities and people begin to return to more frequent personal or social interactions, there is a risk of recurrence of an outbreak of COVID-19, and such a recurrence or emergence of any kind of epidemic, pandemic, outbreak of disease or major public health issue could cause another slowdown or shutdown in the levels of economic activity and business activities and operations generally, or push the world or local economies into recession or depression, which could adversely affect and materially impact us, our affiliates and our clients and their investments.

The impact of a health crisis such as the COVID-19 pandemic, and other epidemics, pandemics and outbreaks of disease that may arise in the future, depends on the duration and spread of the outbreak, the severity, the actions to contain, slow down or halt the spread of the virus or treat its impact, the success of the development and implementation of vaccines, and how quickly and to what extent normal or semi-normal economic and operating conditions can resume, which could affect the global economy in ways that cannot necessarily be foreseen at the present time. A health crisis may exacerbate other pre-existing political, social and economic risks. Any such impact could adversely affect our clients' performance or the performance, profitability, success or businesses of our clients' investments and the underlying real estate projects, resulting in losses to investors.

The COVID-19 pandemic and actions, measures and steps taken by governments around the world in response to such pandemic may cause material disruptions to (or otherwise materially impact or affect) the business operations and activities of service providers on which we and our clients rely (including the custodians and counterparties). It may also adversely impact our clients' investments, the ability of us and our affiliates to access markets or implement a client's investment strategies in the manner originally contemplated, and ultimately investors in our clients.

***Force Majeure Events.*** There is a risk that investments owned directly or indirectly by clients and other vehicles or ventures managed or advised by us will be impacted by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, energy blackouts, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism, labor strikes and telecommunication failures). There is a risk that some force majeure events will adversely affect the ability of a party (including an investment, a counterparty of an investment or a counterparty of client) to perform its obligations until it is able to remedy the force majeure event. Such a party could also claim force majeure for nonperformance of its contractual obligations. Certain force majeure events (such as an outbreak of an infectious disease (including the recent COVID-19 global pandemic)) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries or jurisdictions in which investments are located. In particular, the recent extreme winter weather in Texas and its resulting power outages and shortages has negatively impacted the plastic resin plants located in the area, and the disruptions (which are further exacerbated by limited staffing due to COVID-19) are causing shortages with some plastic resin resulting in limited supply of certain plastic manufacturing parts required by the portfolio companies our clients invest in. This plastic resin shortage and other negative impacts of the Texas winter storms may cause the portfolio companies to incur losses and may adversely affect our clients' performance. Additionally, a major governmental intervention into industry, including the nationalization of an industry or the assertion of control over an investment, could result in a loss to a client. Any of the foregoing would therefore adversely affect the performance of such clients or accounts managed or advised by us.

***Privacy, Data Protection and Information Security Compliance Risk.*** Compliance with current and future (i) privacy, data protection and information security laws and (ii) league rules regarding the use and disclosure of confidential information could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and any client's current and planned business activities and as such could increase costs for such clients or funds or their or our ability to disclose certain investment information to its investors. A failure to comply with such laws, regulations and league rules could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations of our clients, as well as have an impact on a client's ability to make future investments.

Portfolio companies and investments in which our clients invest are or may be subject to laws and regulations related to privacy, data protection and information security in the jurisdictions in which they operate or do business. As privacy, data protection and information security laws and regulations are implemented, interpreted and applied, compliance costs may increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

California has passed the California Consumer Privacy Act of 2018 (the “CCPA”). The CCPA generally applies to businesses that collect personal information about California consumers, and either meet certain thresholds with respect to revenue or buying and/or selling consumers' personal information. The CCPA imposes stringent legal and operational obligations on such businesses as well as certain affiliated entities that share common branding. The CCPA is enforceable by the California Attorney General. Additionally, if unauthorized access, theft or disclosure of a consumer's personal information occurs, and the business did not maintain reasonable security practices, consumers could file a civil action (including a class action) without having to prove actual damages. Statutory damages range from \$100 to \$750 per consumer per incident, or actual damages, whichever is greater. The Attorney General also may impose civil penalties ranging from \$2,500 to \$7,500 per violation.

The European Union (the “EU”) data protection law currently in effect is in the form of the General Data Protection Regulation (EU 2016/679) (the “GDPR”), which took direct effect across the EU member states on May 25, 2018. The GDPR seeks to harmonize national data protection laws across the EU, while at the same time, modernizing the law to address new technological developments. The GDPR notably has a greater extra-territorial reach than pre-existing legislation and has a significant impact on data controllers and data processors (i) with an establishment in the EU, (ii) which offer goods or services to EU data subjects or (iii) which monitor EU data subjects' behavior within the EU. The GDPR imposes more stringent operational requirements on both data controllers and data processors and introduces significant penalties for non-compliance, with fines of up to 4% of total annual worldwide revenue or €20 million (whichever is higher), depending on the type and severity of the breach.

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 and operational and legal burdens on regulated entities. Further, compliance with current and future 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 some of our current and planned business activities. Any such privacy law could materially and adversely affect the results of operations and overall business of our clients and/or their investments, as well as have a negative impact on their respective performance.

**THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE DESCRIPTION OF ALL OF THE RISKS ASSOCIATED WITH OUR CLIENTS' INVESTMENT STRATEGIES OR THAT ARE APPLICABLE TO OUR CLIENTS OR INVESTORS. INVESTORS SHOULD CAREFULLY REVIEW THIS BROCHURE AND THE APPLICABLE OFFERING AND GOVERNING DOCUMENTS IN THEIR ENTIRETY BEFORE MAKING ANY INVESTMENT DECISIONS.**

### Item 9: Disciplinary Information

Not applicable.

## Item 10: Other Financial Industry Activities and Affiliations

### PORTFOLIO COMPANY ACTIVITIES

Certain of our employees, officers, members and/or affiliates will serve (and may in the future serve) as directors, officers or committee members of the various portfolio companies of our clients. Such persons will face conflicts of interest from time to time between discharging their duties as directors, officers or committee members, as the case may be, of such companies and acting in the best interest of the applicable clients. In certain circumstances, for example, in situations involving bankruptcy or near-insolvency of the portfolio company, actions that may be in the best interest of the portfolio company may not be in the best interests of our clients, or vice versa. Our affiliates may receive compensation from companies in their capacities as directors, officers or committee members and this compensation generally will not be shared with our clients; *provided* that such amounts (or a portion of such amounts) may reduce or offset all or a portion of the management fees that would otherwise be payable with respect to our clients, as set forth in the partnership agreement of our clients. Our affiliates and employees will provide and may in the future provide services to enterprises that compete with portfolio companies for customers, suppliers, management or financial resources or in other respects. In addition, our affiliates and employees may assist other enterprises in obtaining capital and in acquisitions and divestitures of businesses, which may conflict with the interests of the portfolio companies.

### STRATEGIC INVESTOR

We, certain of our funds and their respective affiliates have entered into or may from time to time in the future enter into one or more arrangements or agreements with a large private investment bank (together with its applicable affiliates, clients, managed funds and managed accounts), the “Strategic Investor”), whereby the Strategic Investor has been granted or provided certain rights and preferential terms in exchange for making significant capital commitments to Braemont Partners I LP and Braemont Partners I (Offshore) LP and providing various assistance and services to us and our affiliates in connection with the formation and launch of such vehicles. Such rights and terms provided or granted to the Strategic Investor include or may include, among others: (1) reduced management fees and the right to share in a portion of the net carried interest distributions received by the general partner with respect to investors who are clients of the Strategic Investor (but not any of the other investors), (2) certain information rights with respect to us and the Braemont funds, (3) the right to designate and appoint one representative of the Strategic Investor as a member of the advisory committee of the Braemont funds, (4) certain preferential co-investment opportunity allocation rights and/or terms, (5) certain exclusivity rights with respect to investments in the Braemont funds, and (6) certain other rights and terms that are in addition to, or different from or more favorable than, the rights and terms applicable to the other investors in the Braemont funds. The arrangements and agreements between us and the Strategic Investor with respect to the Braemont funds will not be electable by any other investor pursuant to any “most favored nations” clause or otherwise, and any agreement or arrangement with the Strategic Investor will not be deemed to be a side letter for purposes of the applicable governing documents of the Braemont funds. The applicable client generally will bear, as organizational expenses or fund expenses, as applicable, all costs, expenses and fees incurred by the applicable and its affiliates in connection with negotiations with a strategic investor regarding such strategic investor’s investment, such as the fees and expenses incurred in drafting and negotiating the letter agreement and other applicable agreements and documents with the strategic investor. The rights and terms granted or provided to the Strategic Investor with respect to the Braemont funds may present or raise actual or potential conflicts of interest. More information and disclosures regarding our relationship and arrangement with the Strategic Investor and its affiliates are set forth in the applicable offering documents of the Braemont funds.

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

### **CODE OF ETHICS**

We have adopted and implemented a code of ethics, which sets forth standards of business conduct for our supervised persons. Our code of ethics primarily is designed to educate supervised persons about our philosophy regarding ethics and professionalism, emphasize our fiduciary duties to our clients, encourage supervised persons to comply with applicable laws, prevent the misuse of material non-public information and, the circulation of rumors and other forms of market abuse and address conflicts of interest that could arise from personal trading by access persons. Among other things, we will impose certain restrictions on access persons relating to the purchase or sale of certain securities for their own accounts and the accounts of certain affiliated persons. In addition, we will or may maintain a restricted list that contains issuers and securities in which supervised persons generally are not permitted to trade without the prior approval of the Chief Compliance Officer. The restricted list will or may include, for example, an issuer about which we and/or our affiliates may have acquired, or may otherwise be in possession of, material, non-public information. Access persons generally will be required to disclose and report their personal securities transactions and personal securities holdings. We also maintain certain policies and procedures designed to prevent supervised persons from misusing material non-public information. We will furnish a copy of our code of ethics to clients upon request.

In addition to the code of ethics, we will also prepare and adopt a compliance manual which will set forth various additional compliance policies and procedures with respect to Braemont and its business including various procedures and policies that are reasonably designed to ensure compliance by Braemont and its personnel with the Advisers Act and other applicable securities laws.

### **OTHER ACTIVITIES**

Subject to the terms and conditions set forth in the applicable governing documents, our supervised persons will devote as much of their time to the activities of the applicable client as they deem necessary or appropriate in their discretion. Except as otherwise set forth in the applicable governing documents, our supervised persons will not be restricted or prohibited from forming or sponsoring additional private investment funds, from entering into other investment advisory relationships, or from engaging in other business activities, even though such activities may be in competition with a client and/or may involve substantial time and resources of us and the applicable general partner (and our respective affiliates and agents). For example, we may, to the extent we deem to be necessary or appropriate in our discretion, offer or permit one or more investors (including the Strategic Investor) to directly or indirectly invest in or alongside our clients in any particular investment opportunity, and we and certain of our employees and affiliates may receive fees and other benefits in connection with such investments. In connection with any co-investment opportunity, we or our affiliates may establish a co-investment vehicle for one or more third party investors from which we and our affiliates may receive certain management and/or other fees and/or enter into other compensation-related arrangements with such co-investors in exchange for providing services in respect of such co-investment and we and our affiliates generally will have broad discretion and wide latitude to structure and negotiate the terms of co-investment opportunities, as well as the amount and manner of payment of any related fees or other compensation. In the event our supervised persons decide to engage in such activities in the future with respect to any client, such supervised persons will engage in such activities in a manner that is consistent with their fiduciary duties to our clients and the terms of the applicable partnership agreement. Nevertheless, these activities could be viewed as creating a conflict of interest in that the time and effort of our supervised persons will not be devoted exclusively to the business of the applicable client but will be allocated between the business of such client and the management of the monies of other of our advisees.

### **GIFTS AND ENTERTAINMENT**

Our supervised persons may on occasion offer or accept or provide gifts or invitations to entertainment but generally attempt to avoid any activity that would create a material conflict of interest or impropriety in the course of our business relationships. Our gifts and entertainment policy will implement internal controls to monitor such activity, including requiring supervised persons to report to, and/or obtain prior approval from, the Chief Compliance Officer before accepting or providing gifts and entertainment of significant value or that may otherwise be inappropriate under the circumstances.

### **POLITICAL CONTRIBUTIONS**

We will adopt a political contributions policy in an attempt to facilitate compliance with Rule 206(4)-5 under the Advisers Act, which, among other things, prohibits an adviser from providing advisory services for compensation to

a government entity (or a pooled investment vehicle in which a government entity invests) for a two-year period after the adviser or certain of its advisory personnel makes a contribution to an official of such government entity. Except as otherwise set forth in our political contributions policy, a supervised person generally will not be able to make a contribution to a government official, candidate for public office or political action committee without the prior approval of the Chief Compliance Officer.

#### **TRANSACTIONS INVOLVING CONFLICTS OF INTEREST**

We or our affiliate may cause our clients to enter into various transactions, arrangements and agreements involving actual or potential conflicts of interest (including, without limitation, related party transactions or investments in which we or one or more of our affiliates has a financial or other interest). We review transactions involving actual or potential conflicts of interest and endeavor to take such steps as we deem necessary or appropriate to ensure that the terms of such transactions are fair and reasonable under the circumstances.

Pursuant to the applicable governing documents, our clients have established or may establish an advisory committee or advisory board, as applicable, comprised of representatives of the limited partners appointed by the general partner of our clients. The advisory committee or advisory board, as applicable, generally is responsible for reviewing and/or approving various matters and transactions set forth in the partnership agreement of our clients, including reviewing and approving (or rejecting) proposed actions with respect to actual or potential conflicts of interest.

The general partners of our clients may in their discretion seek the approval of the advisory committee or advisory board, as applicable, in connection with (i) approvals that are or would be required under the Advisers Act, including Section 206(3) thereunder, or (ii) any other matter deemed appropriate by such general partner.

#### **CO-INVESTMENT OPPORTUNITIES**

We and/or our affiliates may, subject to the terms of the partnership agreements of our clients, offer the right or opportunity to participate in investment opportunities of our clients to our related persons, certain investors and third parties whenever we determine. Certain investors with respect to our clients may be given priority with respect to co-investment opportunities, including (i) certain of our funds, accounts or vehicles or any other vehicles or entities affiliated with or sponsored by the us or an affiliate, and (ii) our directors, officers, employees, operating executives, consultants, partners, members, managers, similar advisors, senior advisors, the Strategic Investor (or other persons deemed by us or the general partner of a client to be important or strategic in respect of a particular investment), industry advisory board members and affiliates. While we generally determine which investors or other persons to allocate or otherwise offer co-investment opportunities in accordance with our Investment Allocation Policy, the allocation of co-investment opportunities, which may be made to one or more persons for any number of reasons as determined by the applicable general partner of a client in its sole discretion, may not always be in the best interests of the client or any individual investor with respect thereto. In exercising its sole discretion in connection with such co-investment opportunities, including with respect to allocating a particular investment to and among potential co-investors and determining the terms thereof, the applicable general partner of a client may consider some or all of a wide range of factors or considerations (some or all of which may benefit the applicable general partner and its affiliates), including, without limitation, the following: (i) the ability of a potential co-investor to react promptly to a co-invest opportunity; (ii) any strategic advantages that may result from a potential co-investor's participation in a co-investment opportunity (including size based pricing discounts that would be provided or available to the client); (iii) a potential co-investor's capital commitment to the client; (iv) arrangements applicable general partner of a client or an affiliate has entered into or intends to enter into which grant priority or customized allocation processes or other preferential terms with respect to co-investment opportunities; (v) the likelihood that a co-investor may invest in any other fund or vehicle managed or sponsored by us; (vi) the potential co-investor's investable assets relative to the size of the co-investment opportunity; (vii) confidentiality concerns that may arise in connection with providing the co-investor with specific information about or relating to such co-invest opportunity; (viii) regulatory, tax and/or securities law considerations and the eligibility of persons to invest or participate in such co-investment opportunity; (ix) whether the potential co-investor's participation in an investment may subject the client to additional or more burdensome legal, regulatory, compliance, reporting or other burdens or could impair the ability of either us or the applicable general partner of a client to execute the relevant transaction in the desired time or on desired terms; (x) the size of the investment allocation and practicality of dividing it among multiple co-investors; (xi) lender or credit facility requirements or conditions; (xii) whether a co-investment vehicle has been or will be established; and/or (xiii) whether we believe or the applicable general partner of a client believes that allocating investment opportunities to a particular co-investor will help establish, recognize, strengthen and/or cultivate relationships that have the potential to

provide longer-term benefits to the applicable general partner of a client, the client and/or any future funds or clients managed by us.

We may agree in a side letter with an investor to offer the opportunity to participate in co-investment opportunities to such investor. If investors acquire less than the full amount of any applicable co-investment opportunity offered by the applicable general partner of a client or do not elect to participate within the designated time period or fail to respond to the applicable general partner, such investors will not be offered or otherwise have the opportunity to participate in any co-investment opportunities. In every instance, we will endeavor to act in the best interests of our clients and to manage any conflicts in accordance with our fiduciary requirements and applicable law (which may include seeking the prior approval of the investment committee or the advisory committee, as applicable). Neither we nor our affiliates are required to or otherwise do offer or otherwise make available co-investment opportunities to all investors.

In certain circumstances, the applicable general partner and its affiliates will be authorized to grant certain third-party investors, including those that have invested in established co-investment vehicles, the opportunity to have priority in co-investment opportunities. Furthermore, decisions regarding whether and to whom to offer co-investment opportunities may be made by the us or the general partner in its sole discretion in consultation with other participants in the relevant transactions, such as a co-investment sponsor. Additionally, from time to time, certain service providers seek to negotiate co-invest rights as a component of their compensation or in exchange for granting better terms to a client or us, or a company owned by the client in connection with the services provided. Co-investment opportunities may, and typically will, be offered to some and not to all investors in a client (including the Strategic Investor and certain other investors). The general partner's allocation of co-invest opportunities generally may not always result in allocations that are proportional to the amounts committed, if any, by the relevant co-investors to our clients or any other co-investment vehicle, and such allocations may be more or less advantageous to some persons or entities than to others.

Our clients may co-invest with third parties through partnerships, joint ventures or other entities and arrangements. Such investments generally will involve potential risks not present in investments where a third party is not involved, including the possibility that a third-party co-investor or partner may at any time have economic or business interests or goals that are inconsistent with or in conflict with those of our client, may encounter liquidity or insolvency issues or may be in a position to take action contrary to the objectives of such client. In addition, our clients may in certain instances be liable for the actions or omissions of any third-party co-venturer or partner. There can be no assurance that our client'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 participates in the same transaction.

We or an affiliate expects from time to time to charge or otherwise receive from co-investors certain management and/or other fees and/or enter into other compensation-related arrangements with such co-investors in exchange for providing services in respect of such co-investment. The general partner and its affiliates generally will have broad discretion and wide latitude to structure and negotiate the terms of co-investment opportunities, as well as the amount and manner of payment of any related fees or other compensation. Our clients generally will not benefit from, or have any right to receive or share in, any fees or compensation received by us or our affiliates from any co-investors or co-investment vehicle.

## **PRINCIPAL TRANSACTIONS**

Neither we nor any of our affiliates may engage in any principal transaction with a client unless it complies with applicable law and the policies and procedures relating to such transactions that are set forth in the applicable governing documents of such client. In order to ensure that it obtains the requisite consent required by Section 206(3) of the Advisers Act, neither we nor any of our affiliates generally will engage in any principal transaction with a client without the prior approval of the applicable client's advisory committee, to the extent established (or the approval of a majority in interest of the investors of such client).

## Item 12: Brokerage Practices

### **BROKERAGE POLICIES**

Our advisory business generally will involve privately negotiated transactions with the prospective sellers and prospective buyers. Accordingly, we do not expect to use, select or otherwise recommend broker-dealers or other counterparties in connection with the investment activities of our clients. In the event that we are called upon to select and/or recommend broker-dealers or other counterparties to clients in the future, we will implement and adopt policies and procedures reasonably designed to ensure that such brokers are selected in a fair and equitable manner and will promptly amend our brochure to disclose such policies and procedures.

### **ALLOCATION OF INVESTMENT OPPORTUNITIES**

We will endeavor to act reasonably and in good faith in connection with the allocation of investment opportunities. Until such time as we and our affiliates are permitted to commence investment activities on behalf of a successor fund to a Braemont fund or the expiration or termination of the applicable investment period, we generally will, subject to the terms and conditions set forth in the applicable governing documents, present or offer to such client or fund all investment opportunities sourced by us and our affiliates that are deemed by us in our sole discretion to be suitable and appropriate for the applicable fund or client, and consistent with the investment criteria of such fund or client; *provided that* (i) such investment opportunities, in the good faith judgment of us, meet or satisfy the applicable fund's or client's objectives, strategy and investment criteria and are reasonably available to such fund or client, and (ii) such fund or client is otherwise able to make such investments and such investments are not materially limited as a result of investment restrictions, diversification considerations or applicable law or regulation or otherwise. The foregoing will not prevent or prohibit or limit or restrict the ability of any other fund the commencement of operations of which is not prohibited or restricted under the terms of the applicable governing documents to invest all or any portion of its available capital (whether as follow-on investments, new investments or otherwise), without offering such opportunity to the applicable fund or client. Notwithstanding the foregoing, none of the Braemont parties will be precluded or restricted from (i) investing in, funding follow-on investments in, or receiving interests from, a person in which any of the Braemont parties held or owned a direct or indirect interest as of the initial closing date of such fund or any successor to or affiliate of such person, (ii) receiving interests distributed to them from such fund or client or a fund described below or in connection with the exercise of preemptive rights, rights of first refusal or other pre-existing rights, (iii) investing in publicly traded securities, (iv) investing through a blind-pool investment vehicle or a discretionary brokerage account in which a person other than a Braemont party makes investment decisions with respect to specific investments, (v) investing in a portfolio company through a subsequent or successor fund formed by us or an affiliate (other than as set forth in the applicable governing documents of a fund), the commencement of operations of which is not, at the time of investment, prohibited pursuant to the applicable governing documents, (vi) receiving interests from such person as payment of transaction fees or as payment of any similar fees with respect to a direct or indirect investment in such person by a parallel fund, feeder fund, employee investment vehicle, alternative investment vehicle or any other investor, (vii) receiving interests from such person as compensation (or in lieu of cash compensation) in connection with any financial advisory, consulting or similar services provided to such person, or (viii) receiving interests upon disposition or exchange of any interests referred to above.

However, we and our affiliates may in the future manage, advise, operate, establish or sponsor one or more affiliated and third-party pooled investment vehicles and other clients in addition to Braemont Partners I LP and its parallel vehicles and/or investments similar to or the same as those in which such fund seeks to invest and may direct certain relevant investment opportunities to those investment funds and investments and away from such fund. With respect to investment funds sponsored, established, managed and/or operated by us or an affiliate, over time, certain investment opportunities that are or may be deemed to be suitable and appropriate for Braemont Partners I LP are likely also to be suitable and appropriate for one or more other investment vehicles or clients sponsored, established, managed or advised by us or our affiliates. In determining which investment funds will participate or be offered the opportunity to participate in any such investment opportunities, subject to the applicable governing documents, we and our affiliates will be subject to potential conflicts of interest among the investors in such fund or client and other investors in the other pooled investment funds sponsored or managed by us or an affiliate. To determine whether Braemont Partners I LP or any other investment fund or client managed or sponsored or advised by us or our affiliates will participate in the relevant opportunity, we generally will attempt to assess whether such opportunity is appropriate for each relevant or applicable fund based on the terms of such fund's limited partnership agreement or governing documents, as well as factors or considerations deemed relevant or appropriate by us in our discretion including, but not limited to: each fund's investment restrictions and objectives (including those set forth in the relevant fund's



partnership agreement or governing document, as applicable), strategy, capital structure, risk profile, time horizon, investment size, whether the opportunity is a follow-on investment, tax sensitivity or tax issues, tolerance for turnover, asset composition and diversification of overall portfolio, cash level, applicable legal or regulatory restrictions or considerations, life cycle and/or structure. A fund or client may invest in any particular investment alongside or with one or more other vehicles, accounts, funds and/or clients managed or advised by us or their investments (including any co-investment vehicles).

We will determine the allocation of investment opportunities among funds and clients in a manner that we believe to be reasonable and appropriate under the circumstances and consistent with its duties and obligations with respect to each applicable fund or client, and may take into consideration factors such as those set forth above or any other factors or considerations deemed to be relevant or appropriate in our sole discretion. In the event that the available amount of an investment opportunity in which a fund or client will invest exceeds the amount deemed by us to be appropriate or advisable for such client or fund, such excess may be offered or made available to one or more potential co-investors, and in accordance with the terms and conditions set forth herein.

The allocation of opportunities among a fund or client and any of the other investment funds, vehicles, clients or entities sponsored or managed by us or an affiliate may not always, and often will not, be proportional. Therefore, such allocations may be more advantageous to a client or fund relative to one or all of the applicable investment funds and clients, or vice versa. While we will endeavor to allocate investment opportunities in a manner that we believe in good faith is reasonable and appropriate under the circumstances, there can be no assurance that a fund's actual allocations of an investment opportunity, if any, or terms on which the allocation is made, will be as favorable as they would be if the conflicts of interest to which us and our affiliates are or may be subject did not exist.

Conflicts of interest can arise if and to the extent a fund or client makes an investment in a portfolio company in conjunction with or contemporaneously with, an investment made by another fund or client sponsored or managed by us and our affiliates. For instance, a fund may not invest through the same vehicles, have the same access to credit or employ the same hedging or investment strategies as such other investment fund or client. This may result in differences in price, investment terms, leverage and associated costs between such fund and any other investing fund or client sponsored or managed by us. There can be no assurance that a fund or client and the other investing funds or clients will exit the investment at the same time or on the same terms, and there can be no assurance that a client's or fund's return on such an investment will be the same as or similar to the returns achieved by any other fund or client participating in the transaction. Given the nature of these and other conflicts, there can be no assurance that the attempted resolution or mitigation of such conflicts will be possible or beneficial to a fund or client.

Pursuant to the applicable governing documents, a fund or client may purchase assets from, and/or sell assets to, any other vehicle or entity managed or sponsored by us and/or our affiliates where such fund or such persons have warehoused investments. In addition, a fund or client may temporarily warehouse all or a portion of an investment opportunity to facilitate or with the intention to facilitate an investment by one or more affiliated or third party investments (by syndicating such investment in accordance with the procedures outlined herein). Any syndication contemplated in the applicable governing documents of a fund may be effected without having to obtain or seek the consent or approval of any limited partner advisory committee or any other person. **See Item 11.**

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

#### **REVIEWS OF ACCOUNTS**

Our principals will conduct reviews of our clients, their investments and portfolio companies on at least a quarterly basis. As described in **Item 10** above, certain of our employees, officers, agents and/or affiliates serve as directors, officers and/or committee members on portfolio companies in which our clients invest and/or will be actively involved in the operations of such companies. In connection with such activities, we monitor portfolio companies and the performance thereof. With respect to accounting matters, we will engage an independent public accounting firm to conduct annual audits of each pooled investment vehicle managed or sponsored by us, as required by applicable law.

#### **REPORTS TO INVESTORS**

In general, investors in our clients will be provided with quarterly and annual portfolio reports and annual audited financial statements. Our clients' financial statements for each fiscal year are prepared in accordance with U.S. generally accepted accounting principles and audited by an independent public accounting firm selected by the applicable general partner of a fund. Within 120 days after the end of each fiscal year of a fund (or as soon as reasonably practicable thereafter), we or an affiliate typically will furnish or cause to be furnished to investors in such fund annual audited financial statements of such fund. We also expect to provide or furnish investors in a fund with quarterly reports or statements with respect to their investments in such fund within 60 days after the end of each of the first three fiscal quarters of each fiscal year of such fund (or as soon as reasonably practicable thereafter). The general partner of each client expects to provide Schedules K-1 on an annual basis to investors. Certain investments may cause a client to file for an extension with respect to its own income tax return which, in turn, may cause a delay in distributing Schedules K-1 to such client's investors.

We may provide additional information to a client's advisory committee at its meetings and/or in conjunction with completing its required activities. As provided in side letter agreements or arrangements with certain investors in our clients, we may provide additional information to such investors that is not distributed to other investors in our clients (including with respect to the Strategic Investor). Such investors may make investment decisions or take actions with respect to investments in a fund or client based upon or as a result of such information, which could materially adversely affect the other investors. See **Item 10**.

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

### **THIRD-PARTY COMPENSATION**

Neither we nor any of our affiliates generally receive any economic benefit from a non-client for providing investment advice or other advisory services with respect to our clients. Nevertheless, portfolio companies may pay certain fees to our affiliates, including (among others), fees related to transaction advisory services and monitoring activities, onboarding fees, exit fees and transaction fees. We and/or our affiliates may also earn fees (such as break-up or topping fees) in connection with any transaction that is not consummated. **See Item 5.**

### **REFERRALS**

We may engage, appoint or retain, certain third-party placement agent(s) in connection with the offering of interests in certain funds or other vehicles to prospective investors. As compensation for their services, such persons receive or may receive compensation from us (or our affiliates) which consists of (among other things) (i) a percentage of the management fees and/or carried interest distributions, (ii) an allocation paid to us or our affiliates with respect to such investors and clients, (iii) a percentage of an investor's commitment, or (iv) a flat fee. Investors generally will not be charged any higher or additional fee as a result of such agreements or arrangements. In every instance, all arrangements and payments of placement agent fees will be disclosed to applicable investors.

### **Item 15: Custody**

Due to our affiliation with the general partners of our clients, we may be deemed to have custody of our clients' cash and securities for purposes of Rule 206(4)-2 under the Advisers Act. In accordance with Rule 206(4)-2, our clients' cash and securities (except for privately placed securities) are maintained at one or more qualified custodians. We or an affiliate may change custodians of our clients at any time and from time to time without the consent of, or notice to, applicable investors.

In general, and to the extent required by law, independent public auditors, which are registered with and subject to inspection by the PCAOB, will conduct annual audits of our clients, and audited financial statements (prepared in accordance with U.S. generally accepted accounting principles) are provided to investors on an annual basis. Such statements with respect to all clients generally will be provided to investors within 120 days after the end of each fiscal year, but there can be no assurance that we will be successful in this regard. Qualified custodians are not expected to provide account statements directly to investors in our clients.

## **Item 16: Investment Discretion**

### **DISCRETIONARY AUTHORITY**

Subject to the terms of the applicable offering and governing documents, we generally will have discretionary power and authority over the types of investments to be bought and sold, as well as the amount to be bought and sold, on behalf of each of our clients.

In addition, we generally will have authority to determine the broker-dealer or other counterparty (or other service providers or vendors) to be used for fund transactions and the negotiation of commission rates and other consideration to be paid to such counterparties by our clients. **See Item 10.**

### **LIMITED POWER OF ATTORNEY**

Each investor in our clients generally will grant the general partner of the applicable client a limited power of attorney to enable the general partner to take various ministerial actions with respect to our clients on its behalf. We or the general partner of a client will have the authority to act on behalf of the applicable client in connection with the acquisition and disposition of investments.

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

While the general partner of each client technically will have proxy voting authority on behalf of such client, they generally will not expect to be called upon to vote with respect to securities owned by that client. Nevertheless, in the event that the general partner is called upon to vote proxies, they will vote such proxies in accordance with the proxy voting policies and procedures in our compliance manual. In general, proxy proposals, amendments, consents or resolutions will be required to be voted in a manner that serves the best interests of the applicable client, as determined in the discretion of the general partner. The general partner of a client will attempt to identify actual or potential conflicts of interest that could compromise the independence of voting decisions when voting a proxy on behalf of a client. Where a material conflict of interest is identified, the general partner generally will attempt to resolve the conflict before voting a proxy. A general partner may determine not to vote proxies in respect of securities of an issuer if it determines that it would be in a client's overall best interest not to vote. Investors generally may not direct or otherwise influence votes with respect to any particular proxy solicitation. Clients may obtain copies of our proxy voting policy by contacting us.

### **Item 18: Financial Information**

At this time, we are not aware of any financial condition that is reasonably likely to impair our ability to meet our contractual obligations to our clients. We have not been the subject of any bankruptcy petitions, including in the past ten years.

## **General Information**

### **PRIVACY POLICY**

We expect to adopt policies and procedures that we believe are reasonably designed to protect various records and information of investors. Subject to limited exceptions, our privacy notice and, except as otherwise authorized by each investor, private information about investors is disclosed only as permitted by applicable law to our affiliates and service providers, including our accountants, attorneys, brokers, custodians, transfer agents and any other parties whose services are necessary or convenient to the operation of our clients.