

# Oak Hill Capital Management, LLC

## Part 2A of Form ADV

### The Brochure

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This brochure provides information about the qualifications and business practices of Oak Hill Capital Management, LLC (“OHCM”). If you have any questions about the contents of this brochure, please contact us at 212-527-8400. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

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

## Material Changes

OHCM's previous update to Part 2A of Form ADV was made in March 2021. OHCM's business activities have not changed materially since the time of that update. This brochure has been updated to reflect OHCM's regulatory assets under management as of December 31, 2021 and to supplement existing disclosures.

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## Advisory Business

OHCM provides investment advisory services to private investment fund (each, a "Registrant Client," and collectively, together with any future private investment fund to which the OHCM and/or its affiliates provide investment advisory services, the "Registrant Clients"). The term "Registrant" used herein shall refer to OHCM.

The Registrant Clients are privately offered funds that primarily focus on making private equity investments. The Registrant Clients are permitted to invest in non-U.S. companies and to hedge their currency risk by purchasing protection, which may take the form of put options, collars and/or forward contracts, subject to any restrictions in the constituent documents of the relevant Registrant Client. The advisory services provided by Registrant are described in more detail in the constituent documents of each of the Registrant Clients.

OHCM was legally organized in 2004, but has been doing business through its predecessor entities since 1986. OHCM is majority owned by OHCM Management, L.P., and a minority interest was purchased (October 2019) by an unrelated third-party investor, Stonyrock Partners, a fund sponsored by Jeffries Financial Group, Inc. OHCM Management, L.P. is majority owned by OHCM's investment professionals. Robert M. Bass owns a minority interest in OHCM Management, L.P., and is a lead investor in Registrant Clients. As of December 31, 2021, the value

of invested capital and remaining unfunded commitments (regulatory assets under management) in Registrant Clients was \$10,059,070,248. OHCM manages all assets on a discretionary basis.

## **Fees and Compensation**

Management fees are generally payable tri-annually in advance. Such fees are payable on a pro rata basis for any period that is less than a full tri-annual period. Fee arrangements vary for the Registrant Clients and are described in the constituent documents for each Registrant Client. Each of the investment advisory agreements or other constituent documents generally provide for a management fee of 0.75%-1.75% per annum of the capital commitments or actively invested capital of a Registrant Client during the expected life of the Registrant Client. Where the constituent documents calculate management fees based on the amount of capital commitments, the amount of management fees will not be reduced based on reductions in investment value, except where specified by the relevant constituent documents. Management fees will be payable during term extensions unless otherwise agreed with investors. In certain circumstances, limited partners of certain Registrant Clients will also be subject to a servicing fee of 0.1% per annum of capital commitments. Registrant Clients are also generally subject to a carried interest of 20% of profits on distributions derived from the disposition of investments or securities (after a preferred rate of return of 8% to the investors followed by a catch-up of 20% of such distributed profits). All management fees and carried interest terms are negotiated with the Registrant Clients' investors during the fund-raising period of the applicable Registrant Client. In addition, the Registrant waives or reduces management fees and/or carried interest for the Registrant's employees, certain customary "friends and family," and a limited number of strategic/large relationships and consultants who invest in certain of the Registrant Clients. Accordingly, the blended net return of a particular fund will be higher or lower than that experienced by a particular investor.

All costs and expenses incurred in connection with the discovery, evaluation, acquisition, holding, management, monitoring, or disposition of investments are paid by (or reimbursed to the Registrant by) the Registrant Clients, including any broken deal expenses for investments that are ultimately not consummated, whether or not co-investors were identified to participate in such investments. In instances where an individual investor has a negotiated elective or automatic contractual right excusing them from participating in a specific investment, and/or has exercised such right, broken deal expenses are nevertheless allocated among all of the investors in the Registrant Clients. These costs and expenses include, without limitation, private placement fees, sales commissions, appraisal fees, taxes, brokerage fees, underwriting commissions and discounts, insurance, telephone, and travel expenses (which, on occasion, include the use of non-commercial planes, in which case the Registrant Clients will bear no more than the equivalent cost of a refundable first class ticket), lodging, compensation, custodial, legal, accounting, investment banking, advisory, consulting, information services, record keeping, partnership reporting, trustee, professional, and other administrative fees and expenses (which generally includes reimbursement of expenses to affiliates of the general partner of the Registrant Clients or OHCM). The above services, if provided by Registrant's affiliates or support entities, will be reimbursed at cost.

Each Registrant Client will also bear the costs of implementing, monitoring and complying with investment guidelines and directives relating to the Registrant Client's strategy, including in side letters relating thereto (even though side letter standards may be generated by one client and not another). Each Registrant Client will also have costs related to environmental, social, governance

and other standards that are adopted by the general partner on its own initiative or pursuant to side letter requirements. Additionally, subject to the relevant constituent documents, a Registrant Client will bear certain unreimbursed expenses of portfolio companies and intermediate holding vehicles through which the Registrant Client invest.

Expenses incurred in connection with any meeting of the limited partners or the Advisory Board (including, without limitation, travel, meal, and lodging expenses of OHCM and its representatives and meal and lodging expenses of the limited partners, in each case, incurred in connection with attending such meetings) are generally paid by (or reimbursed to the Registrant by) the Registrant Clients. In addition, out-of-pocket expenses incurred by members of the Advisory Board in connection with fulfilling their duties as described in the constituent documents for each Registrant Client, such as attending Advisory Board meetings or the annual meetings of Registrant Clients are generally paid by (or reimbursed to the Registrant by) the Registrant Clients, including, without limitation, transportation, meals, entertainment, and lodging.

Registrant Clients or its portfolio companies retain consultants and advisors (including, without limitation, Senior Advisors and dedicated, exclusive and/or shared operating consultants and other specialty professionals (including, without limitation, insurance, ESG, information technology, human resources, restructuring, legal, accounting and insurance consultants, industry executives, subject matter experts, and/or similar persons providing services to portfolio companies, Registrant Clients and/or other entities as described below)). Such consultants and advisors currently, and may in the future, include employees, former employees or principals of Registrant or certain portfolio companies, and former consultants and advisors are expected to become Registrant employees or employees of portfolio companies in the future. Consequently, the determination of whether individuals are consultants or advisors is expected to vary and/or be revisited from time to time. These expenses are ultimately borne by the Registrant Clients or their respective portfolio companies, including where such consultants or advisors are employed by OHCM or an affiliate thereof. Compensation for such persons can include retainers, salaries, and success fees, in addition to options, grants of equity or other incentive compensation arrangements with respect to performance at portfolio companies, discretionary bonuses (whether or not based on pre-determined milestones), and/or participation or equity investment opportunities in a portfolio company or holding company.

To the extent that consultants or advisors are paid retainers or guaranteed minimum compensation amounts, there is the possibility that Registrant Clients will bear a greater share of such compensation due to the fact that fewer portfolio companies or Registrant Clients make use of such consultant or advisor. Registrant is permitted to compensate consultants, advisors, joint venture or similar partners, other service providers, portfolio company management or other persons by paying all or a portion of certain expense reimbursements, payments or other amounts owed to such persons relating to one or more investments in the form of a profits interest granted in the relevant investments or related intermediate entities. Compensation in the form of profits or equity interests in a portfolio company or intermediate holding company generally has a dilutive impact on the Registrant Client's investment as well as the potential to result in economic gains to the recipient greater than the original amount of compensation. The relevant Registrant Client will bear the costs of all such compensation as well as fees, costs and expenses of structuring consultant and advisor arrangements. Many of such persons will have consulting arrangements, officer positions, board seats, and/or other roles at unaffiliated public and private companies (for which they will have

independent duties), in addition to services provided to the Registrant Clients. The insurance consultant is employed by an affiliate of Keystone Group, L.P., an entity controlled by Mr. Bass.

In connection with its services to the Registrant Clients and their investments, OHCM, its affiliates and personnel expect to receive the benefit of certain tangible and intangible benefits and the development of know-how, intellectual property and other resources. For example, in the course of OHCM's operations, including research, due diligence, investment monitoring, operational improvements and investment activities, OHCM and its personnel expect to receive and benefit from information, know-how, experience, analysis and data relating to Registrant Client or portfolio company (as applicable) operations, terms, trends, market demands, customers, vendors and other metrics (collectively, "OHCM Information"). In many cases, OHCM Information will include tools, procedures and resources developed by OHCM to organize or systematize OHCM Information for ongoing or future use. Although OHCM expects its Registrant Clients and their portfolio companies generally to benefit from OHCM's possession of OHCM Information, it is possible that any benefits will be experienced solely by the Registrant or other or future Registrant Clients or portfolio companies, and not by the Registrant Client or the portfolio company from which OHCM Information was originally received. OHCM Information will be the sole intellectual property of OHCM and solely for the use of OHCM. OHCM reserves the right to use, share, license, sell or monetize OHCM Information, without offset to management fees, and the relevant Registrant Client or portfolio company will not receive any financial or other benefit of such use, sharing, licensure, sale or monetization.

Expenses relating to the Registrant Clients or portfolio companies are expected to be charged using credit cards, or other widely available third-party rewards programs, that earn or provide airline miles, hotel stays, travel rewards, traveler loyalty or status programs, "points," "cash back," rebates, discounts and other arrangements, perquisites and benefits under the available terms of such reward programs. Such rewards (whether or not *de minimis* or difficult to value) will inure to the benefit of the Registrant or personnel participating in the rewards program, rather than the portfolio companies, the Registrant Clients or their respective investors; no such rewards will offset management fees.

The Registrant has experienced in-house accounting and legal departments that provide support to the Registrant Clients and their respective portfolio companies on an ongoing basis. These departments assist with the acquisitions, carrying and disposition of investments, including, without limitation, mergers and acquisitions, regulatory support, risk management, and litigation management. Such in-house departments are an alternative to the outsourcing of significant legal and accounting services to top tier firms, including firms regularly used by OHCM and Registrant Clients. All costs and expenses of such departments for work done on Registrant Client matters, including, without limitation, expenses of compensation, benefits, support staff (*e.g.*, paralegals and administrative assistants), rent and related expenses, communications, information technology, human resources, recruiting costs, and other indirect and incidental expenses, are fully allocable to the Registrant Clients. The services of such departments are provided at cost and do not exceed the cost of comparable outside services regularly used by OHCM. Costs and expenses of the accounting and legal departments are allocable among the Registrant and the Registrant Clients (including predecessor entities) in accordance with services provided. In determining such allocable amounts, compensation paid to internal employees by the Registrant may take into account the value of general partner carry awarded to such employees. There can be no assurance that a lower cost

provider could not be obtained. Where such rates or terms include hourly components, Registrant reserves the right to rely on approximations or estimates of time spent for purposes of allocating or charging for services. Any methodology, or choice among methodologies, involves conflicts of interest.

In order to achieve various cost savings, the Registrant, in certain instances, utilizes entities or programs to negotiate the bulk purchase of various products and services used by the Registrant and/or its portfolio companies. The objective of such programs is to use the combined purchasing power of the portfolio companies to negotiate the best price and service. The Registrant Clients will be allocated internal accounting, legal, operational, and management costs, as well as external legal, consulting, and other costs associated with the administration of the programs. In most cases, such arrangements will involve the sharing of risk, such as under group insurance arrangements where deductibles are shared or calculated with regard to the group rather than individual insured parties. Such costs will be allocated on a pro rata basis relative to each Registrant Client's invested capital, or on other equitable formulas.

From time to time, the Registrant engages portfolio companies of the Registrant Clients to perform services for the Registrant or its Registrant Clients. In addition, the Registrant at times recommends the services of one portfolio company to another portfolio company, in which case, the relevant Registrant Clients will not provide a separate consent, participate in the negotiations or be directly involved in such arrangements. The forgoing services are to be provided on an arms-length basis. However, there can be no assurance that a lower cost service provider could not be obtained.

In order to achieve certain economies of scale, the Registrant shares administrative support personnel with independent entities, some of which bear the Oak Hill name. The Registrant may also employ operational personnel (including legal and human resources) in special purpose entities.

Expenses related to services utilized by more than one Registrant Client and, if applicable, by the Registrant, will be allocated according to usage, if possible. In instances where allocations by use is not possible or practical, expenses will be allocated in a manner deemed reasonable by the Registrant and approved by the Registrant's Chief Financial Officer or Chief Compliance Officer.

In addition to the foregoing costs and expenses, a detailed list of expenses paid by the Registrant Clients is set forth in the applicable constituent documents of the Registrant Clients. Information regarding the Registrant's brokerage practices is included in this brochure under the heading Brokerage Practices.

## **Performance Based Fees and Side-by-Side Management**

As stated in the *Fees and Compensation* section above, OHCM generally charges a performance based carried interest, which is based on a share of the client's investment proceeds. OHCM also reserves the right to waive in advance a portion of the management fee revenue that would otherwise be due from its Registrant Clients. As a result of any such waiver, the capital contributions funded by OHCM's Limited Partners that would otherwise have been used to fund the payment of management fees are instead invested into one or more of the Registrant Client investments (this is commonly known as a "fee waiver program"). This election allows certain Registrant employees to waive a portion of their respective share of future income from the Registrant Clients and receive, in lieu of a cash distribution, a profits interest in a Registrant Clients' investment.

Such equity incentives create an alignment of interest but, like stock option programs and other equity incentives, also create conflicts of interest. The Registrant seeks to address these conflicts through careful vetting of investment opportunities by the Registrant's Investment Committee, full disclosure of investments to limited partners by way of quarterly reports and investor calls, as well as investment by a number of the Registrant's investment professionals in the Registrant Clients, in an effort to align Registrant's and the Registrant Clients' interests. In addition, the constituent documents of the Registrant Clients that provide for performance based carried interest also have "clawback" provisions.

From time to time, employees of the Registrant will be compensated for serving as a director of Registrant's portfolio companies. In addition, OHCM receives certain fees from investments in connection with the purchase, monitoring, or disposition of investments or in connection with unconsummated transactions (*e.g.*, transaction, consulting, management, advisory, closing, topping, break-up, and other similar fees). In certain circumstances (typically when such an arrangement is required by other investors), payment of fees will be accelerated and ultimately paid for a tail period during which the Registrant is no longer providing services. Any such compensation or fees will reduce any future management fees that are payable to OHCM (pro rata to the Registrant Clients' ownership of the portfolio company or potential investment), but not below zero; in other words, in situations where no management fees are due, Registrant may retain such fees and will not be obligated to distribute such fees to its Registrant Clients unless otherwise agreed to with a particular Registrant Client or investor. Unless otherwise agreed with investors, any such compensation or fees will generally be payable without offset during term extensions, even if management fees are reduced or eliminated during the extended term. For the avoidance of doubt, however, expenses of law firms and accounting firms, including the Registrant's in-house legal and accounting departments, consulting firms, individual consultants, and Senior Advisors (including any former affiliates of OHCM who transition to the role of consultant or Senior Advisor and any consultant or Senior Advisor employed or otherwise engaged by OHCM or its affiliates), as well as other expenses provided for under the constituent documents of each of the Registrant Clients, will not reduce the management fee payable. Arrangements with co-investors vary with respect to fees and offsets.

## **Types of Clients**

OHCM provides investment advisory services to privately offered funds that invest primarily in private equity. Investors in the privately offered funds managed by OHCM include high net worth individuals and a variety of institutional investors (*e.g.*, trusts, employee benefit plans, endowments, foundations, corporations, and other types of entities, including private funds of funds). All investors are required to be "accredited investors" (as defined in Regulation D promulgated under the Securities Act of 1933 (the "Securities Act")) or otherwise be permitted to invest under applicable securities laws.

As outlined in the constituent documents of the Registrant Clients, certain non-US investors and tax-exempt investors are placed in alternative investment vehicles that in turn invest in blocker corporations (or are placed directly in such blocker corporations). Accordingly, the investors invested through these blocker corporations indirectly bear the expense of corporate taxes paid by the blocker corporations (and are expected to indirectly bear any reduction in the purchase price resulting from the sale of the blockers). These blocker corporation structures are typically utilized

for investments using pass-through structures for U.S. federal income tax purposes. The general partner of such Registrant Clients reserves the right to sell such blocker corporations upon exit from a particular investment, but it has no obligation to do so under the constituent documents of the Registrant Clients. The general partner is also permitted to leverage the blockers to improve returns, but does not have an obligation to do so under the constituent documents of the Registrant Clients. Taxes and other expenses resulting from an investment through a blocker corporation structure will be borne by the investors participating in such structures. Alternative investment vehicles also may be used for other purposes, and therefore with other structures. In addition, Registrant reserves the right to borrow money on behalf of the Registrant Clients to pay expenses (including, without limitation, management fees) or to provide financing to facilitate investments, as permitted by the constituent documents of each of the Registrant Clients. Various tax considerations related to such borrowing are detailed in the constituent documents of each Registrant Client.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

The Registrant provides investment advisory services for the Registrant Clients, all of which are privately offered funds that make investments primarily in private equity. The investment teams are organized across four core sectors:

- Consumer, Retail & Distribution
- Industrials
- Media & Communications
- Services

Typically in private equity transactions, the main source of information regarding prospective portfolio companies is due diligence performed on such companies, which involves, among other activities, inspecting the books and records of the company, interviewing management, and analysis of the company within its relevant industry. On certain occasions, an investment is made in a public company, in which case publicly filed corporate documents are also inspected by the Registrant. In the course of undertaking transactions, the Registrant consults with professional advisors, including lawyers and accountants.

In the course of undertaking due diligence and investment analysis, the Registrant may also consult with other investment advisers bearing the Oak Hill name, including Oak Hill Advisors, L.P. (“OHA”), an independent and unaffiliated adviser. OHA’s clients from time to time participate in the issuance of debt by portfolio companies of the Registrant Clients and/or the purchase of the debt securities of such portfolio companies in debt markets. With respect to original issuances, debt interests may be purchased net of the underwriting spread charged by underwriters.

The Registrant has consistently pursued a value-oriented, “principle-minded” investment approach that emphasizes rigorous due diligence and disciplined valuations. The investment teams seek to deploy its investment strategy by seeking to:



- Leverage sector knowledge to develop investment themes based on observable long-term trends;
- Proactively originate investment opportunities that align with the Registrant's investment themes;
- Partner with management teams and leverage in-house functional experts and established relationships with operating talent;
- Identify, underwrite, and execute well-defined strategic and operational roadmaps that create sustainable profit growth;
- Mitigate risk; and
- Position companies to capitalize on the optimal exit strategy.

Acquiring an interest in the Registrant Clients involves a number of risks. An investment in the Registrant Clients may be deemed a speculative investment and is not intended as a complete investment program. It is designed for sophisticated investors who fully understand and are capable of bearing the risk of an investment in the Registrant Clients, and are capable of bearing illiquidity for substantial periods of time. No guarantee or representation is made that the Registrant Clients will achieve their investment objectives or that investors will receive a return of their capital.

Investing in the Registrant Clients involves a risk of loss, and the investment strategy offered by the Registrant could lose money over short or even long periods. Prospective and existing investors are advised to review the offering materials and other constituent documents for full details on each applicable fund's investment, operational and other actual and potential risks applicable to a particular Registrant Client.

Certain material risks presented by the Registrant's investment strategy are set forth below. This Brochure does not purport to contain a complete disclosure of all risks that may be relevant to a prospective investor in a Registrant Client. Investing in the Registrant Clients involves a risk of loss that an investor should be prepared to bear. There can be no assurance that the Registrant will meet the investment objectives of a Registrant Client, otherwise be able to carry out its investment strategy successfully, or avoid losses.

#### *No Assurance of Returns*

There can be no assurance that the Registrant Clients will be able to achieve their investment objectives or that investors will receive a return on their capital or be able to avoid losses.

#### *Broad Investment Charter*

Each Registrant Client has a broad investment charter, and there are only a few formal constraints on the type of investments in which a Registrant Client may invest.

#### *Dependence on Key Personnel*

The success of the Registrant Clients will be highly dependent on the financial and managerial expertise of the Registrant's investment professionals. The loss of one or more of these individuals

could have a material adverse effect on the performance of the Registrant Clients. The Registrant's investment professionals are under no contractual obligation to remain with the Registrant for all or any portion of the term of the Registrant Clients. As a result, the ability of the Registrant Clients to carry on their activities successfully is dependent upon the skill and experience of the Registrant. From time to time, the Registrant will add employees and others will leave and/or reduce their level of activity.

#### *Valuation of Assets*

The Registrant Clients' investments are fair valued by OHCM. When estimating fair value, OHCM will apply a methodology based on its good faith judgment of the nature, facts, and circumstances of the investment. Assigned values may not be realized.

#### *Difficulty of Locating Suitable Investments*

Investors in the Registrant Clients must rely upon the ability of the Registrant to identify, structure, and implement investments consistent with the applicable Registrant Client's investment objectives and policies. There can be no assurance that there will be a sufficient number of suitable investment opportunities to enable the Registrant Clients to invest all of their committed capital in opportunities that satisfy such Registrant Client's investment objectives, or that such investment opportunities will lead to completed investments. Identification of attractive investment opportunities is difficult and involves a high degree of uncertainty. There is an increasing number of private equity firms and other well-capitalized firms that are pursuing companies similar to those targeted by the Registrant Clients. This competition includes hedge funds, business development companies, special purpose acquisition corporations, and direct investments by firms that have historically been limited partners in private equity firms. Consequently, the Registrant Clients will compete for the acquisition of investments with many other investors, some of which will have greater resources than the Registrant Clients. Such competitors may include other private investment funds as well as individuals, financial institutions, and other institutional investors. Further, there can be no assurance that the Registrant Clients or the Registrant will correctly evaluate the nature and magnitude of the various factors that could affect the value of the Registrant Clients' investments. A variety of factors that are inherently difficult to predict, such as domestic or international economic, social, and political developments, are expected, from time to time, to significantly affect the results of the Registrant Clients' activities and the value of their investments.

#### *General Business and Management Risk*

Investments in portfolio companies subject the Registrant Clients to the general risks associated with the underlying businesses, including market conditions, changes in regulatory requirements, reliance on management at the portfolio company level, interest rate and currency fluctuations, general economic downturns, domestic and foreign political situations or military conflicts, and other factors.

#### *Nature of Investments*

A portion of the Registrant Clients' investments will be in equity or equity-related investments which by their nature involve business, financial, market, and/or legal risks. While such investments offer the opportunity for significant capital gains, they also involve a high degree of risk that can result in substantial losses. There can be no assurance that OHCM will correctly

evaluate the nature and magnitude of the various factors that could affect the value of such investments.

The Registrant Clients' investments involve leveraged acquisitions which, by their nature, require companies to undertake a high ratio of fixed charges to available income. Such investments generally are inherently more sensitive to declines in revenues, fees and to increases in expenses. Utilization of leverage is a speculative investment technique and involves risks to investors. The Registrant Clients will rely on debt commitment letters from banks to fund investments, as well as other sources of debt, and will be at risk if such funding fails. There can be no guarantee that debt facilities will be available at commercially attractive rates throughout the term of the Registrant Clients or when due for refinancing, such that the Registrant Clients or the applicable portfolio company will be exposed to less favorable terms or rates upon a refinancing. In addition, in the event the Registrant Client engages a third party to provide debt financing in connection with the consummation of an investment, and such third-party fails to fund, such failure could adversely impact the Registrant Client and its ability to consummate such investment or would require the relevant Registrant Client to fund a larger cash investment at closing than was intended, which could result in over-commitment to such investments and a less diversified portfolio. In such cases, concentration limitations could be exceeded (so long as the Registrant acts in good faith to secure financing from a substitute lender).

A portion of the Registrant Clients' investments may involve start-ups. Significant risks are associated with investments in companies in an early stage of development or with little or no variations in operating results from period to period and companies with the need for substantial additional capital to support expansion or to achieve or maintain a competitive position. Such companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and service capabilities, and a larger number of qualified managerial and technical personnel.

A portion of the Registrant Clients' investments also involve investments in public companies or taking private portfolio companies public. Investments in public companies may subject the Registrant Clients to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Registrant Client to dispose of such securities at certain times (including the Registrant Client's possession of material, non-public information), increased likelihood of shareholder litigation against such companies' board members, which may include Registrant personnel, regulatory action by the SEC, and increased costs associated with each of the aforementioned risks.

A portion of the Registrant Clients' investments involve turnaround or underperforming companies, or companies identified by the Registrant as being in need of additional capital. The financial condition of such companies is expected to be weak or their balance sheets highly leveraged, and any investment in them will generally involve a high degree of risk.

Most of the Registrant Clients' investments are expected to involve private securities. In connection with an investment in private securities, a Registrant Client generally assumes, or acquires, a portfolio company subject to contingent liabilities. These liabilities may be material and may

include liabilities associated with pending litigation, regulatory investigations or environmental actions, among other things. To the extent these liabilities are realized, they will likely materially adversely affect the value of a portfolio company. In addition, if the Registrant Client has assumed or guaranteed these liabilities, the obligation would be payable from the assets of the partnership, including the unfunded commitments of investors in the Registrant Client.

In connection with the disposition of an investment in private securities, a Registrant Client may be required to make representations about the business and financial affairs of the company typical of those made in connection with the sale of a business. A Registrant Client also may be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate. Such indemnities could be outstanding for long periods of time and could, if required to be paid upon, trigger the clawback of previous distributions,

### *Minority Positions*

The Registrant Clients also make minority equity investments in companies where they have limited or no influence. Such a company may have economic or business interests or goals that are inconsistent with those of the relevant Registrant Client, and such Registrant Client may not be in a position to limit or otherwise protect the value of its investment in the company, although as a condition of making such investments, it is expected that appropriate shareholder rights generally will be sought to protect such Registrant Client's investments. The Registrant Client's control over the investment policies of the company may also be limited.

### *Illiquidity of Investments*

An investment in a Registrant Client requires a long-term commitment with no certainty of return. It is unlikely there will be near-term cash flow available to the investors. Many of the Registrant Clients' investments will be highly illiquid, and there can be no assurance that the Registrant Clients will be able to realize such investments at attractive prices or otherwise be able to effect a successful realization or exit strategy. Consequently, dispositions of such investments generally entail a protracted duration and, from time to time, result in distributions in-kind to investors. Additionally, a Registrant Client may acquire securities that cannot be sold except pursuant to a registration statement filed under the Securities Act, or in accordance with Rule 144 promulgated under the Securities Act. There can be no assurance that private purchasers can be found for the Registrant Clients' investments. Finally, in some cases, a Registrant Client may be prohibited by contract from selling securities for a period of time.

### *Foreign Investments*

The Registrant Clients invest, from time to time, in non-U.S. companies or in the securities of non-U.S. issuers. Investing outside the United States may involve substantially greater risks than investing in the United States. In particular, the value of the Registrant Clients' investments in foreign securities may be significantly affected by changes in currency exchange rates, which may be volatile. Additional risks include: (i) risks of economic dislocations in the host country; (ii) less publicly available information; (iii) less well-developed regulatory institutions; and (iv) greater difficulty of enforcing legal rights in a foreign jurisdiction. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and

requirements comparable to those that apply to United States companies. Additionally, in some foreign countries, there is the possibility of expropriation of value, including through confiscatory taxation, limitations on the repatriation or sale of securities, property or other assets of the Registrant Clients, political or social instability or diplomatic developments, each of which could have an adverse effect on the Registrant Clients' investments in such foreign countries. While the Registrant will take these factors into consideration in making investment decisions for the Registrant Clients, no assurance can be given that the Registrant will be able to evaluate these risks accurately.

#### *Portfolio Concentration*

Although the governing documents of the Registrant Clients include certain minimum diversification limits, diversification is not an objective of the Registrant Clients. A Registrant Client's portfolio may include a small number of large positions. While this portfolio concentration may enhance total returns to investors in such Registrant Client, if any large position has a material loss, then returns to the investors may be lower than if they had invested in a well-diversified portfolio.

#### *Reliance on Portfolio Company Management*

The day-to-day operations of a portfolio company will be the responsibility of such company's management team. Although OHCM monitors the performance of portfolio companies and generally seeks to invest in companies operated by capable management, there can be no assurance that an existing management team, or any successor, will be able to successfully operate a portfolio company in accordance with the OHCM's strategy for such company.

#### *Illiquidity of Interests in the Registrant Clients; Restrictions on Transfer*

The interests in the Registrant Clients (the "Interests") will be issued in reliance upon certain exemptions from registration or qualification under applicable U.S. federal and state securities laws and may not be transferred unless registered under applicable U.S. federal and state securities laws or unless an exemption from such laws is available. There will be no public market for the Interests and none is expected to develop. Accordingly, Interests constitute illiquid investments and only should be purchased by persons that are able to bear the risk of their investment for an indefinite period of time.

#### *Expedited Transactions*

Investment analyses and decisions by the Registrant may be undertaken on an expedited basis in order for Registrant Clients to take advantage of available investment opportunities. In such cases, the information available to the Registrant at the time of an investment decision may be limited, and the Registrant may not have access to the detailed information necessary for a full evaluation of the investment opportunity. Further, the Registrant may conduct its due diligence activities in a very brief period and may cause the Registrant Clients to assume the risks of obtaining certain consents or waivers under contractual obligations.

### *Bridge Financing*

From time to time, the Registrant Clients may provide bridge financings to facilitate investments organized by the Registrant Clients. Bridge financings to a particular portfolio company may not exceed amount set forth in the applicable governing documents of the Registrant Clients. Such bridge financings, if not repaid, would typically be convertible into a more permanent, long-term security; however, for reasons not always in the Registrant Client's control, such long-term securities may not be issued, and such bridge loans may remain outstanding. In such event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by the Registrant Clients.

### *Borrowing*

The flexibility to borrow money varies among the Registrant Clients. Certain of the Registrant Clients borrow money to pay expenses of the Registrant Clients (including, without limitation, management fees) or to provide interim or long-term financing to facilitate the consummation or furtherance of the Registrant Clients' investments prior to or in lieu of the Registrant Clients' receipt of capital contributions or co-investment funds becoming available, in each case, as permitted by the Registrant Clients' constituent documents. Such borrowings are typically secured by capital contributions, a pledge of the general partner's right to draw down on such obligations, and/or a security interest in the Registrant Clients' investments. The inability of the Registrant Clients to repay borrowings under a credit facility secured by the capital commitments of its limited partners could enable a lender to call unfunded commitments from the limited partners and, if the limited partners' unfunded commitments are insufficient to repay such borrowings, limited partners could be required to return amounts previously distributed to them to fund such borrowings, subject to certain limitations set forth in the Registrant Clients' constituent documents. Borrowing is expected to represent a significant portion of capital commitments and will generally enhance IRRs.

### *Co-Investments by Independent Third Parties*

At times, the Registrant Clients invest in companies alongside financial, strategic or other third-party investors. Such investments will involve additional risks not present in investments where a third party is not involved, including the possibility that such third-party investor has interests or objectives that are inconsistent with those of the applicable Registrant Client or is in a position to take action contrary to the Registrant Client's investment objectives. Such investors will not be under the control of the Registrant and are expected to be independent strategic partners or investors, industrial companies, or other private equity funds or investors in one or more of the Registrant's Clients. Unless otherwise agreed to, which is not expected, these investors will not pay expenses and/or costs incurred directly or indirectly by the Registrant Clients, including, but not limited to, consultants and advisors of the Registrant Clients, which will cause the Registrant Clients to bear more than their pro rata portion of such costs and expenses. In addition, the Registrant Clients may in certain circumstances be liable for actions of their third-party co-ventures or partners.

### *Regulation and Litigation*

The growth of the private equity industry, and the increasing size and reach of transactions, as well as the increasing attention to hedge funds, has prompted additional governmental and public

attention to the private equity industry and its practices. Regulation generally, as well as regulation more specifically addressed to the private equity industry, including tax laws and regulation, whether in the United States or abroad, could increase the cost of acquiring, holding, or divesting portfolio companies, the profitability of enterprises, and the cost of operating the Registrant Clients. Additional regulation could also increase the risk of third-party litigation. The transactional nature of the business of the Registrant Clients exposes the Registrant Clients and the Registrant generally to the risks of third-party litigation. Under the Registrant Clients' governing documents, the Registrant Clients will generally be responsible for indemnifying the Registrant and related parties for costs incurred with respect to such litigation not covered by insurance.

Additionally, the SEC has indicated that it intends to seek to enact changes to numerous areas of law and regulations that would impact the business of Registrant and the Registrant Clients. In particular, the SEC has signaled an increased emphasis on investment adviser and private fund regulation and has proposed a number of new rules that, if adopted, would impose significant changes on private fund advisers and their management of private funds, and the SEC is expected to propose additional changes in the future. Any such changes are expected to materially impact Registrant and its affiliates, the Registrant Clients and/or their investments, as well as increasing their expenses. Significant time and resources may be required to comply with new regulations, which potentially will detract from the time and resources dedicated to the Registrant Clients.

#### *Diverse Investors*

The investors in the Registrant Clients are expected to include diverse investors that have conflicting tax and other interests with respect to their investment in the Registrant Clients. As a result, conflicts of interest are expected to arise in connection with decisions made by OHCM that may be more beneficial for one type of investor. In making decisions, OHCM intends to consider the investment objectives of the applicable Registrant Client as a whole, and not the investment objectives of any investor individually. At its discretion, the Registrant reserves the right to elect to undertake a distribution-in-kind of public securities so that each investor can make its own election whether to sell or hold the security based upon their tax considerations and other factors. The Registrant is not obligated to undertake distributions-in-kind.

#### *Side Letters*

Registrant and/or its affiliates reserve the right to enter into side letters with certain investors in a Registrant Client providing such investors with different or preferential rights or terms, including, but not limited to, different fee structures or arrangements (including discounted or rebated compensation terms, modified waterfall mechanics and/or receipt of a portion of Registrant's compensation), information rights, specialized reporting, priority co-investment rights or targeted co-investment amounts, rights to serve on the Registrant Client's Advisory Board, liquidity or transfer rights, confidentiality protections and disclosure rights, modification of default remedies, investment pacing restrictions, as well as economic procedural and other terms.

Registrant is likely to have its own economic and/or other business incentives to provide certain terms to certain limited partners (e.g., based on commitment amount to a Registrant Client or the timing thereof, the ability of a limited partner to provide sourcing or other services to OHCM, its affiliates and personnel or the Registrant Clients, or the potential to establish, recognize, strengthen

or cultivate relationships that have the potential to provide longer-term benefits to OHCM, its affiliates and personnel, or the Registrant Clients). Further, Side letters may also relate to strategic relationships under which an investor agrees to make commitments to multiple Registrant Clients. Except where required by the constituent documents, other investors will not receive copies of side letters or related provisions, and as a general matter, the other investors have no recourse against a Registrant Client, Registrant or any of their affiliates in the event that certain investors have received additional and/or different rights and/or terms as a result of such side letters. Side letters subject Registrant to conflicts of interest, including in circumstances where an investor's right to serve on the relevant Registrant Client's Advisory Board results in the investor receiving additional information relative to other investors. To the extent an investor is subject to statutory or other limitations on indemnification, or otherwise negotiates rights relating thereto, other investors may be subject to increased losses, or be required to bear an increased portion of indemnification amounts. As a consequence of one or more investors being excused or excluded, or from regulatory, tax or other factors altering or limiting their participation in investments, the aggregate returns realized by participating or non-participating investors could be adversely affected in a material manner by the unfavorable performance of particular investments. Although Registrant believes it is unlikely, excuse rights requested or received by one or more investors (or such regulatory, tax or other factors applicable to such limited partners) representing a substantial percentage of a Registrant Client have the potential to create significant variations in investor investment returns, or to influence or affect the investment strategy and pursuit of investment opportunities by Registrant on behalf of the relevant Registrant Client as a whole. An investor's voting rights for regulatory or other reasons can be limited in circumstances specified in the constituent documents; conversely, a limitation on one or more investors' voting rights generally will increase the voting rights percentage of other investors in the relevant Registrant Client. Further, investors with different domiciles or tax categorizations could receive different investment returns or amounts of tax basis and/or pay different levels of expenses, *e.g.*, based on tax savings or ownership of alternative investment vehicle, "blocker" or other structures used to facilitate their investments in, through or below a Registrant Client.

### *Cybersecurity*

Registrant, the Registrant Clients, their portfolio companies, and their respective service providers face cybersecurity threats to gain unauthorized access to sensitive information, including, but not limited to, information regarding Registrant's investment activities, the investors in the Registrant Clients, or to render data or systems unusable, all of which could result in significant losses and the risks of attack are expected to be heightened in remote work environments. If such events were to materialize, they could lead to losses of sensitive information or capabilities essential to Registrant's, the Registrant Clients', and/or a portfolio company's operations. In addition, such events could also have a material adverse effect on the reputations, financial positions, results of operations, or cash flows of the Registrant, the Registrant Clients, and/or the operations of their portfolio companies, and could lead to financial losses from remedial actions, unauthorized use or dissemination of confidential and proprietary information (including personally identifiable information of investors), litigation, loss of business, reputational damage or potential liability, and could lead to the disclosure of investors' personal information. Any such breach could expose a Registrant Client and the Registrant (which, in turn, could be indemnified by a Registrant Client) to civil liability as well as regulatory inquiry and/or action. The use of internet or cloud-based programs, technologies and data storage applications generally heightens these risks. Investors



could also be exposed to losses, including losses relating to: misappropriation of assets, intellectual property or confidential information; corruption, deletion or destruction of data; physical damage and repairs to systems; reputational harm; financial losses from remedial actions; and/or disruption of operations. Third parties, including activist, criminal, nation-state or terrorist actors, may also attempt fraudulently to induce portfolio companies or their personnel to disclose sensitive information (including passwords) in order to gain access to data, accounts, funds or other assets, or otherwise to inflict harm, resulting from unauthorized use of their personal information. Similar types of cybersecurity risks also are present for portfolio companies, which could affect their business and financial performance, resulting in material adverse consequences for such issuers, and causing a Registrant Client's investment in such portfolio company to loss value.

#### *Outbreaks of Infectious or Contagious Diseases; COVID-19*

Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, ebola and COVID-19 have and are resulting in market volatility and disruption, and future such emergencies have the potential to materially and adversely impact economic production and activity, all of which may result in significant losses to a Registrant Client. In an effort to contain COVID-19, national, regional and local governments, as well as private businesses and other organizations, have taken severely restrictive measures, including instituting local and regional quarantines, restricting travel (including closing certain international borders), prohibiting public activity (including "stay-at-home" and similar orders), and ordering the closure of large numbers of offices, businesses, schools, and other public venues. Certain industries are likely to feel such impacts particularly acutely, including, but not limited to, industries dependent on travel and public accessibility such as transportation, hospitality, tourism, retail, sports and entertainment, and industries related to natural resources production and development.

The COVID-19 crisis and any other public health emergency could result in significant adverse impacts to the Registrant Clients. The extent of the impact of any such emergency depends on many factors, all of which are highly uncertain and cannot be predicted, which may impact Registrant's or the Registrant Clients' ability to source, diligence and execute new investments and to manage, finance and exit investments in the future, or cause significant changes or reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. Likewise, social or governmental mitigation actions (including the effectiveness of vaccines and the implementation of vaccination programs) may (among a wide variety of other potential effects) constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategies the Registrant Clients intend to pursue, all of which could adversely affect Registrant Clients' ability to fulfill their investment objectives. They may also impair the ability of Registrant Clients' investments or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences. In addition, the operations of the Registrant Clients, their investments, the applicable general partner, Registrant, and their respective affiliates may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, restrictions on travel and movement, remote-working requirements, and other social, political, financial, legal, regulatory and other factors related to an actual or threatened public health emergency (such as COVID-19), including its potential adverse impact on the health of any

such entity's personnel. These measures may also hinder such entities' ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

#### *CFIUS and National Security Clearance Considerations.*

Certain investments may be subject to or require review and approval by the U.S. Committee on Foreign Investment in the United States ("CFIUS"), such as where CFIUS-related laws, regulations or guidance deem non-U.S. persons or entities under their control (such as a Registrant Client, co-investors and/or rollover sellers) to be acquiring a U.S. business (including a business with assets, employees, facilities, and/or operations in the United States). CFIUS has the authority to review proposed or existing transactions or investments or to seek to impose limitations on or prohibit investments, and CFIUS filings and other considerations can materially impact transaction timing, feasibility, certainty and costs. In certain circumstances, CFIUS considerations have the potential to prevent a Registrant Client from maintaining or pursuing investments, or limit the universe of available buyers for an existing investment. Any of these factors have the potential to adversely affect a Registrant Client's performance, and the likelihood that CFIUS considerations will be implicated is expected to increase where non-U.S. limited partners comprise a substantial percentage of a Registrant Client. Under the constituent documents for the Registrant Clients, the relevant general partner generally is authorized, although not required, to excuse or otherwise limit non-U.S. limited partners' ability to invest in U.S. businesses (or to exercise voting or advisory board rights with respect thereto) in order to anticipate or comply with CFIUS considerations. However, there can be no assurance that invoking any such excuse provisions or other limitations will allow a Registrant Client to proceed with or maintain any investment, or to avoid losses relating thereto. Similar considerations are expected to apply with respect to reviews by non-U.S. national security or investment clearance regulators.

#### *Russia-Ukraine Conflict.*

There is currently an ongoing military conflict between Russia and the Ukraine which, in a relatively short period of time, has caused disruption to global financial systems, trade and transport, among other things. In response, multiple other countries have put in place global sanctions and other severe restrictions or prohibitions on the activities of individuals and businesses connected to Russia. However, the ultimate impact of the Russia-Ukraine conflict and its effect on global economic and commercial activity and conditions, and on the operations, financial condition and performance of the Registrant Clients or any particular industry, business or investee country and the duration and severity of those effects, is impossible to predict.

The Russia-Ukraine conflict could have a significant adverse impact and result in significant losses to the Registrant Clients. This impact may include reductions in revenue and growth, unexpected operational losses and liabilities and reductions in the availability of capital. It could also limit the ability of a Registrant Client to source, diligence and execute new investments and to manage, finance and exit investments in the future. Developing and further governmental actions (military or otherwise) may cause additional disruption and constrain or alter existing financial, legal and regulatory frameworks and systems in ways that are adverse to the investment strategy which any

Registrant Client intends to pursue, all of which could adversely affect a Registrant Client's ability to fulfill its investment objectives.

#### *Investments in the Same Issuer*

Conflicts are expected to arise when and to the extent a Registrant Client makes investments in conjunction with an investment being made by another Registrant Client, or if it were to invest in the securities of a company in which another Registrant has already made an investment. A Registrant Client may not, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Registrant Clients. This likely will result in differences in price, terms, leverage, and associated costs. Where multiple Registrant Clients invest at the same, different, or overlapping levels of a portfolio company's capital structure, there will likely be a conflict of interest in determining the terms of each such investment.

Questions may arise subsequently as to whether payment obligations and covenants should be enforced, modified, or waived, or whether debt should be refinanced or restructured. In troubled situations, decisions, including whether to enforce claims, or whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any workout or restructuring, raise conflicts of interest, particularly with respect to Registrant Clients that have invested in different securities within the same portfolio company. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, the Registrant Clients may or may not provide such additional capital, and if provided, each Registrant Client will supply such additional capital in such amounts, if any, as determined by OHCM in its sole discretion.

Where multiple Registrant Clients invest in the same company at different times, the first Registrant Client to invest typically will bear a higher level of diligence and transaction fees, costs and expenses than later Registrant Clients; similarly, to the extent a transaction does not proceed, the first Registrant Client to invest should expect to bear the full amount of any broken deal expenses, and other expenses relating to the diligence or evaluation of a prospective investment, relating to the transaction, regardless of whether other Registrant Clients could or would have invested in the company in potential future transactions.

Further, there can be no assurance that the relevant Registrant Client and the other Registrant Client(s) or vehicle(s) that also invest in such portfolio company will exit such investment at the same time or on the same terms. OHCM and its affiliates may reserve the right from time to time express to inconsistent views of commonly held investments or of market conditions more generally, including in instances where different portfolio managers or personnel express different views regarding the same investment. There can be no assurance that the return on one Registrant Client's investments will be the same as the returns obtained by other Registrant Clients participating in a given transaction.

Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both Registrant Clients. In that regard, actions taken for one or more Registrant Clients may adversely affect other Registrant Clients.

## **Disciplinary Information**

OHCM and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to an investor's evaluation of the Registrant or its personnel.

## **Other Financial Industry Activities and Affiliations**

Certain of the Registrant's related persons serve as directors and officers of, and/or provide advice to, publicly traded companies, private companies, partnerships, and debt and equity investment vehicles. Such entities include entities affiliated with Robert M. Bass, who indirectly owns a minority equity interest in the general partners of the Registrant Clients. Certain of the Registrant's related persons generally receive compensation (including, without limitation, equity grants) in connection with such roles. Prior to engaging in such activities, employees are required to obtain approval from the compliance department.

Investors in the Registrant Clients should be aware that receipt of material non-public information by Registrant's related persons regarding these companies could preclude Registrant from effecting transactions in the securities of such companies on behalf of the Registrant Clients.

Certain of the Registrant's related persons have personal investments in publicly traded companies, private companies, partnerships, and debt and equity investment vehicles. Such entities include entities affiliated with Robert M. Bass. Registrant's related persons also have investments in management entities with the Oak Hill name, as well as other investment funds. Prior to making any such investments, employees are required to obtain approval from the compliance department. Without limitation, the principals of the Registrant currently manage, and expect in the future to manage, other investments in private companies, and expect to direct certain investment opportunities or resources to those investments. Registrant personnel reserve the right to manage their own personal investments, whether or not through a formal family office or estate planning structure, to establish trusts, endowments, charitable programs, foundations, or similar arrangements, and to pay or receive compensation relating to the foregoing. Registrant's principals and Registrant's investment staff will continue to manage and monitor such investments until their realization. Such other investments that Registrant principals expect from time to time to control or manage generally compete or associate with, or have the potential to compete or be associated with, companies acquired by a Registrant Client. Following the investment period of a Registrant Client, Registrant principals reserve the right to, and likely will, focus their investment activities on other opportunities and areas unrelated to such Registrant Client's investments. To the extent an advisory opportunity is received that is unsuitable for a Registrant Client, in Registrant's sole discretion, Registrant and its personnel reserve the right to refer such opportunity to third parties or to make personal investments in the relevant opportunity.

On occasion, at the sole discretion of the Registrant, the general partners of the Registrant Clients will offer controlled co-investment opportunities in portfolio companies where the Registrant Clients will make or have made an investment. Allowing any co-investment generally reduces the amount of the relevant investment opportunity that theoretically could have been taken by the relevant Registered Client, and because co-invest opportunities generally appeal to investors and third parties, Registrant expects there to be conflicts of interest in determining the amount of investment opportunity that should be allocated to the relevant Registered Client. Registrant will

determine such allocation in its sole discretion, taking into account a variety of factors, which could include, but not limited to, the risk-return and target return profile of the investment, the investment in the context of the Registrant Clients' overall holdings, the risk of the investment relative to the risk of the other investments in the portfolio, and capital availability of the Registrant Client. The Registrant often looks for investments in the \$100 million range, at a minimum, with the balance potentially available for co-investors. However, investments may reach as much as 20% of available capital commitment of the Registrant Clients, or larger, in certain circumstances.

Such co-investments will be through a vehicle controlled by the Registrant or otherwise controlled by Registrant through a written co-investment agreement. The Registrant has, and in the future may, consider a number of factors in determining how to allocate a controlled co-investment opportunity, and the amounts offered to each such investor, taking into account any factors it deems relevant, including, without limitation, the sophistication of the prospective co-investor, ability of the co-investor to close the transaction quickly, tenure as a Registrant Client investor, commitment to making co-investment funds available, commitment to invest in current or future products of the Registrant, strategic expertise and financial resources of the prospective co-investor, and the prospective co-investor's overall relationship with the Registrant. Co-Investors may also include prospective investors that the Registrant believes will be of benefit to itself or its past or future Registrant Clients or portfolio companies, or who may provide a strategic, sourcing, or similar benefit to the Registrant, its Registrant Clients, or portfolio companies. For the avoidance of doubt, Registrant reserves the right to permit consultants, advisors, vendors or service providers to co-invest alongside the Registrant Clients. The degree of control over these entities will vary depending upon circumstances and may be limited. At the sole discretion of the Registrant, controlled co-investment opportunities may be offered to third parties and/or certain limited partners of the Registrant Clients.

A controlled co-investment vehicles' pro rata share (relative to capital invested) of transaction fees, portfolio monitoring fees, management fees, and similar payments from portfolio companies, will be retained by the Registrant or its related persons to the extent agreed upon by co-investors. These fees and payments will not reduce the compensation, if any, paid to the Registrant by the Registrant Clients. Co-investment entities and co-investors present conflicts of interest and review of such arrangements by the compliance department is therefore undertaken.

Expenses borne by these controlled co-investments are allocated on a pro rata basis (relative to capital invested) among all funds, parallel funds, co-investment vehicles, and other entities that comprise the Registrant Clients that shared in the activities generating such expenses. In most cases, however, co-investors will not agree to pay or otherwise bear fees, costs, or expenses related to un consummated co-investments, such as break-up fees or broken deal expenses, in which case such fees and expenses will be considered expenses of and be borne by the Registrant Clients.

From time to time, the Registrant occasionally utilizes the services of entities that have, directly or indirectly, or whose affiliates have, investments in funds managed by the Registrant. Such services will only be used on an arm's length basis and when they are in the best interest of the Registrant Clients.

Occasionally, certain investors of the Registrant Clients, investment partnerships managed by independent and unaffiliated entities bearing the Oak Hill name, and/or investment partnerships, investors, entities having a direct or indirect relationship to the Registrant and/or its personnel, and/or entities in which employees of the Registrant hold an interest (including debt and equity funds), will enter into transactions (financing arrangements, investment banking services, among others) with the Registrant, the Registrant Clients, and its portfolio companies. Debt and equity financing transactions, in many cases, will be net of any underwriting fee or discount to the benefit of these entities and/or their respective portfolio companies. Depending on market conditions and the needs of the portfolio companies, there may be limited or no opportunity to “shop” such transactions. To the extent that the Registrant, the Registrant Clients, and its portfolio companies enter into any such transactions, the terms of such transactions will be on an arm’s length basis, but net of the underwriting fee or discount. Registrant reserves the right to deem third-party investment in a transaction to be verification that the transaction was entered into at a value that is “arms-length.” However, there can be no assurance that a lower cost provider could not be obtained. The compliance department will review such transactions and the need for a third-party opinion or advice on a case-by-case basis.

In the event that an investment is declined (because it is not appropriate for any of the Registrant Clients) or is not required to be referred to any Registrant Client as set forth in the applicable partnership agreements, such investment may be referred to Robert M. Bass, related persons of the Registrant, their respective related persons, or newly formed investment vehicles created by the Registrant. Such decisions are made by an OHCM partner in consultation with OHCM’s Chief Compliance Officer and/or OHCM’s Investment Committee. Interests in such newly formed investment vehicles are expected to be offered to employees and/or associated persons of the Registrant, third parties, investors in the Registrant Clients, and/or potential investors in future funds.

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

Registrant has adopted a formal compliance code of conduct that includes a code of ethics, securities trading policies and procedures, and procedures to address “pay to play” rules and regulations. Among other things, the code of conduct requires that employees act with integrity, place the interests of clients above their own, avoid actual and potential conflicts of interest and comply with applicable provisions of all laws. The policies also require employees to pre-clear certain personal securities transactions, report certain personal securities transactions on a quarterly basis, and provide the Registrant with a detailed summary of certain holdings on an annual basis. On at least a quarterly basis, the Registrant reviews its compliance systems and procedures with outside counsel and highly experienced compliance consultants.

A copy of Registrant’s Code of Ethics will be provided to any investor or prospective investor upon request.

The investment professionals of the Registrant do invest as limited partners in the Registrant Clients, often through a single Registrant Client, and currently own (and expect in the future to own) more than 25% of the interests in such Registrant Client(s). As such, if a Registrant Client transacts with another Registrant Client, it may constitute a principal transaction. As limited partners of the

Registrant Clients, the investment professionals of the Registrant invest in every transaction made by the Registrant Clients. While investments by related persons and investment professionals of the Registrant are intended to align interests of the Registrant and its related persons with those of the Registrant Clients, such investments create conflicts of interest. To address such conflicts, the investment arrangements are described and agreed upon in the constituent documents of each Registrant Client. Investments and disposals are made on the same economic terms for all limited partners of the Registrant Clients, including for Registrant's related persons, and each investment is made pro rata among the limited partners of each Registrant Client and Registrant's related persons who are limited partners, so that Registrant's related persons may not receive favorable terms or greater exposure to certain investments. As noted in the *Performance Based Fees and Side-by-Side Management* section above, however, certain Registrant employees have fees and carry that are waived, which create conflicts of interest.

To address any potential conflicts of interest involving personal trades, investment professionals are subject to the code of ethics, which includes, as noted above, a pre-clearance requirement for personal trades and reporting of certain holdings. Should potential conflicts of interest arise, the Registrant's investment professionals have an ongoing responsibility to report such conflicts to OHCM's Chief Compliance Officer (or another designated member of the compliance team), who will address conflicts on a case-by-case basis.

Also, with respect to conflicts of any nature, the Registrant may consult an Advisory Board of limited partners of the Registrant Clients. Any decisions of the Advisory Board with respect to any material potential conflicts of interest between the general partner and its affiliates, on the one hand, and the Registrant Clients or a portfolio company, on the other, are binding on the partners.

The Registrant has formed an ESG Committee that reviews environmental, social responsibility (and related ethics) and corporate governance matters related to the acquisition, maintenance, and disposition of investments and portfolio company initiatives. Although this increases the Registrant Clients' ESG compliance expenses and costs, and may result in the forgoing of certain opportunities, the Registrant believes that responsible ESG investing enhances the long-term value of portfolio companies and is an important element of responsible investing. The registrant also retains ESG consultants (including an ESG officer) to assist with ESG matters. To the extent that such consultants provide transactional due diligence services and services for portfolio companies (such as energy savings programs), such costs are allocated to the applicable Registrant Client. There are no universally accepted ESG standards and not all Registrant Clients' investors may agree on the appropriate ESG standards to apply in a particular situation. The Registrant will apply ESG standards and considerations in its sole discretion and makes no promise or guarantee with respect to the ESG procedures that it will follow, all of which will be selected in its sole discretion and subject to change at any time. While the Registrant's ESG reports reflect past efforts, there is no obligation to maintain that effort with respect to ESG compliance and the focus points of those efforts will vary from year to year. Costs of ESG activities related to portfolio companies will generally be borne by the Registrant Client's.

In addition, in order to encourage greater knowledge and understanding of their products and services, or as a general matter for friends and family, the Registrant Clients' portfolio companies have, and may in the future, offer product and service discounts from time to time to Registrant's directors or employees. Any such material discounts (as defined in the Registrant's compliance

policies & procedures) are required to be pre-cleared by the Registrant's Compliance Department (to the extent accepted by Registrant's employees) to ensure they are appropriate.

## **Brokerage Practices**

The Registrant's business is to focus on making investments in private securities. Accordingly, it does not typically trade in public securities. In the limited circumstances where a Registrant Client purchases public securities as part of a private equity transaction, or receives such securities as a result of a portfolio company going public or from the sale of a portfolio company, it intends to follow applicable SEC guidelines and seeks to obtain best execution in executing such transactions.

In selecting brokers and negotiating commission rates, Registrant looks not just for lowest possible commission cost or dealer spread, but also for whether the transaction represents the best qualitative execution and therefore takes into account several factors, including, but not limited to, the financial stability and reputation of the broker, the broker's familiarity with the portfolio company and/or its industry, listed bids and asks, speed of execution, the quality of investment research, the broker's trading style and investment strategies, and any special execution capabilities, including the ability to minimize indirect cost factors.

Registrant does not utilize soft dollar arrangements outside of routinely available research. Registrant does not direct trading activity in lieu of payments for research or other services.

The Registrant selects brokers with best execution criteria in mind. From time to time, the Registrant expects to effect transactions or otherwise utilize broker-dealers that have, or whose affiliates or registered representatives have, referred or recommended investors to it or that personally, or through related persons or family members, have investments in funds managed by the Registrant. Because the Registrant selects brokers on the basis of best execution, the Registrant does not believe this presents a conflict.

From time to time, the general partner of a Registrant Client may elect to distribute securities in kind (as set forth in the constituent documents of the Registrant Client) and may establish brokerage accounts in the names of the investors in the Registrant Clients into which such securities may be deposited. Notices, investor elections, and other investor communications in advance of such proposed distributions in kind may be provisional in nature, as the final decision to make any distribution in kind (and the specific date of such distribution) will be subject to market and other conditions.

## **Review of Accounts**

As noted above, the Registrant focuses on investments primarily in private equity. Prior to being made, all investments are carefully reviewed and approved by an Investment Committee comprised of senior investment professionals of the Registrant. The progress of all portfolio companies is monitored on a regular basis and is subject to supervision and review by the Registrant's senior professionals. The Registrant's Valuation Committee reviews the valuation of the Registrant's investments quarterly in accordance with its Valuation Policy.

SEI provides fund accounting and administrative services to the Registrant Clients, as set forth in the constituent documents for each Registrant Client.



The Registrant provides quarterly and annual reports (including annual audited financial statements) to investors in its Registrant Clients, in accordance with the terms of the applicable constituent documents of the Registrant Clients.

## **Client Referrals and Other Compensation**

In accordance with written agreements, OHCM pays cash consideration to third parties for investor solicitation activities. Certain information regarding these arrangements (relating to U.S. investors and U.S.-domiciled Registrant Clients) are disclosed in the relevant Registrant Client's Form D. OHCM pays such consideration in compliance with applicable SEC rules and other laws and regulations that may be in effect from time to time.

## **Custody**

All client assets are held in custody by unaffiliated broker/dealers or banks that serve as qualified custodians; however, OHCM may be deemed to have access to client accounts since its affiliates serve as the general partners of the Registrant Clients. Investors of the Registrant Clients will not receive statements from the custodian. Instead, the Registrant Clients are subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and the audited financial statements are distributed to each of the Registrant Clients' respective investors. The audited financial statements are prepared in accordance with generally accepted accounting principles and distributed within 120 days of the Registrant Client's fiscal year end.

## **Investment Discretion**

OHCM, which serves as the investment adviser of the Registrant Clients, and its related persons, which serve as the general partners of the Registrant Clients, have discretionary authority to implement investment decisions for each of the Registrant Clients. The investment decisions and advice of the Registrant and its related persons, with respect to the Registrant Clients, are subject to each Registrant Client's limited partnership agreement, and any side letters that it executes with investors.

## **Voting Client Securities**

The Registrant Clients are primarily invested in private companies which typically do not issue proxies. On occasion, as noted above, the Registrant Clients are invested in public companies, in which case such companies will issue proxies. As part of the services provided by the Registrant, the Registrant has adopted proxy voting policies and procedures, which include voting of proxies by the Registrant's Compliance Officer. These proxy voting policies and procedures are designed to ensure that the Registrant votes the equity proxies of the Registrant Clients in their best overall interests. Registrant maintains a record of all proxy votes cast on behalf of Registrant Clients. The investors in the Registrant Clients may contact the Registrant for a copy of the policy or information with respect to a specific proxy vote.

As is typical in private equity investing, Registrant generally approves one or more of its employees to act as representatives on the board of directors of portfolio companies on behalf of the Registrant Clients. As noted herein, a number of Registrant's investment professionals serve as board

members of its client's public and private portfolio companies in such representative capacity. In situations where Registrant votes the proxy for a company in which an employee or employees of the Registrant serve on the board of directors, Registrant has determined that this does not inherently present a conflict of interest as (a) the employee is on the board of directors as a representative of the Registrant Clients and (b) the sole purpose of this representation is to maximize the return on the Registrant Clients' investment in such company and to ensure that the Registrant Clients' interests are protected. Given these facts, the Registrant Clients and the representative's role are aligned with respect to proxy voting and otherwise. If a situation arises where a conflict with respect to proxies occurs, OHCM Investment Committee would resolve such conflict.

## **Financial Information**

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