

**Item 1 – Cover Page**

**FIRM BROCHURE**  
**PART 2A OF FORM ADV**

**18 Somerset Capital Management, LLC**

445 Park Avenue, 8<sup>th</sup> Floor, New York, NY 10022

September 26, 2022

This firm brochure (the “Brochure”) provides information about the qualifications and business practices of 18 Somerset Capital Management, LLC (“18 Somerset”, the “Manager” or the “Firm”). If you have any questions about the contents of this Brochure, please contact Shane Swanson at 843-200-3768 or by email at [shane.swanson@gmail.com](mailto:shane.swanson@gmail.com).

The information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the “SEC”) or by any state securities authority, and references in this Brochure to 18 Somerset as a “registered investment adviser” are not intended to imply a certain level of skill or training.

Additional information about the Firm is also available on the SEC's website at <http://www.adviserinfo.sec.gov/>.

## **Item 2 – Material Changes**

18 Somerset is a newly registered investment adviser, and this is the Firm's initial Form ADV Part 2A. As this is the Firm's initial Brochure, there are no material changes from a prior version to report under Item 2.

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#### Item 4 – Advisory Business

18 Somerset Capital Management, LLC, a Delaware limited liability company is a newly formed investment adviser. The Firm will provide discretionary investment management and advisory services to a privately offered investment vehicle (the “Fund”).

The general partner of the Fund is 18 Somerset Capital Partners Fund I GP, LP, a Delaware limited partnership (the “General Partner”). 18 Somerset is wholly owned and controlled by Dan Keegan.

The Firm’s primary investment focus is to invest, directly or indirectly, in companies that are active in the financial technology industry or related businesses (“Portfolio Companies” and the investments in such Portfolio Companies, the “Investments”). The Firm will generally make early-stage and growth Investments, which will largely take the form of equity, but may take other forms as deemed appropriate by the 18 Somerset, including but not limited to preferred equity or credit. The Fund may make Investments in companies at various stages of development, including in certain instances, companies that are publicly traded.

The Firm will provide certain advisory services to the Fund, including sourcing, investigating, structuring, and negotiating potential Investments, monitoring Investments post-acquisition, advising the Fund with respect to disposition opportunities, and providing day-to-day managerial and administrative services to the Fund. The General Partner will remain ultimately responsible for the management and control of the Fund’s business.

The General Partner may determine that it is in the best interests of the Investors that an Investment be made through, or transferred to, an alternative investment vehicle (each, an “*Alternative Investment Vehicle*”). The Firm will have the authority to create an Alternative Investment Vehicle in such circumstances and cause some or all of the Investors’ indirect interests in such Investment to be held through such Alternative Investment Vehicle.

The Firm will provide discretionary investment management services to a privately offered investment fund intended for sophisticated investors in accordance with the relevant private placement memoranda or other offering documents (each, a “*Memorandum*”), the limited partnership or other operating agreements (each, a “*Partnership Agreement*” and, together with any relevant Memorandum, the “*Governing Documents*”).

Outside of providing investment management services provided to the Fund, the Firm offers no other advisory services.

The Fund is managed in accordance with its own objectives and is not tailored to any Fund investor (each a “*Limited Partner*” or “*Investor*”) nor accepts client-imposed investment restrictions unless documented in a side letter agreement. investment advice is provided directly to the Fund by the Firm or an affiliate of the Firm (e.g., the General Partner or Managing Member) and not individually to the limited partners or members.

Such Investors accept the terms of advisory services as set forth in the Funds’ Governing Documents. The Firm has broad investment authority with respect to the Fund and, as such, Investors should consider whether the investment objectives of the Fund are in line with their individual objectives and risk tolerance prior to investment.

Certain side letter agreements (collectively, “*Side Letters*”) may be entered into with certain Investors in the Fund. Such arrangements may have the effect of establishing additional rights or altering or supplementing the terms of the Governing Documents of the Fund with respect to one or more such Investors in a manner more favorable to such Investors than those applicable to other Investors including but not limited to economic arrangements, co-investment and reporting rights. [See “*Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss*” below for more details.]

The Firm may, in its discretion, offer to others, including other investment vehicles managed by the Firm or its affiliates, Limited Partners, Parallel Vehicle Investors and third parties, including Strategic Partners (as defined below), as the General Partner determines in its discretion (a “*Co-Investment Opportunity*”). Any fees or carried interest earned by the Manager or any affiliate from a Co-Investment Opportunity will not be shared with the Fund or any Limited Partner. [See “*Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss*” below for more details.]

The General Partner may, in its discretion, designate certain Limited Partners as “Strategic Partners” that may receive priority access to certain Co-Investment Opportunities, additional reporting rights, strategic advice and access to consulting services provided by the General Partner or its affiliates as described under Item 10: “*Potential Conflicts of Interest*” and applicable Governing Documents”.

The Firm does not participate in wrap fee programs.

As of the date of this Brochure, the Adviser did not have any regulatory assets under management. The Adviser has registered with the SEC in anticipation of having \$100 million or more in regulatory assets under management within 120 days, and will file an amendment to this Brochure once its regulatory asset under management have exceeded that threshold.

## **Item 5 – Fees and Compensation**

### **Management Fees**

The Firm generally charges an annual management fee (“Management Fee”) quarterly in advance of up to 2.25% per annum of the Fund’s capital commitments during the Fund’s investment period. Thereafter, the Management Fee rate for each successive year will be reduced by 25 basis points, but not below 1.5% per annum of committed capital. The Firm may, in its sole discretion, reduce, waive or calculate differently the Management Fee with respect to any Investors including, without limitation, Investors that are affiliates of the Firm. In the event our advisory relationship with the Fund is terminated before the end of the applicable period, management fees payable by such Fund will be charged on a pro rata basis through the date of termination, and any fees paid in advance but not earned will be refunded to the Fund.

The Manager and its affiliates or employees are expected to receive transaction fees (including setup, acquisition and commitment fees), fees earned in connection with transactions that are not completed (breakup fees), closing fees, exit fees, advisory fees, monitoring fees, consulting fees, management fees, directors’ fees or other similar fees related to the Fund’s ownership interests in Portfolio Companies (collectively, “*Transaction Fees*”), all of which may give rise to certain conflicts of interest between the Fund and the Manager or its affiliates.

To the extent that the amount of any Transaction Fees exceeds certain unreimbursed expenses, including unreimbursed unconsummated transaction expenses, 100% of the allocable portion of such excess Transaction Fees will be applied to reduce the Management Fee on a dollar-for-dollar basis. If the aggregate amount of excess Transaction Fees applied against the Management Fee during a fiscal year exceeds the Management Fee for such fiscal year, the excess will be carried forward to reduce the Management Fee payable in the following fiscal year or years. If upon dissolution of the Fund, any excess Transaction Fees remains, the Manager will return to the Fund for the benefit of the Partners an amount equal to such unapplied excess amount; provided that any Limited Partner may waive its right to receive its pro rata portion of such amount, which will result in a benefit to the Manager to the extent that any such excess Transaction Fees remains upon dissolution of the Fund. Moreover, the portion of any Transaction Fees allocable to co-investors, if any are charged, will not offset the Management Fee, and as a result the Manager may face a conflict of interest with regard to the allocation of investment opportunities among co-investors and the Fund.

The Manager and/or its affiliates generally have discretion over whether to charge Transaction Fees to a portfolio company and, if so, the rate, timing, method and/or amount of such compensation, as well as to charge such amounts at varying levels in a portfolio company's holding or operating structure.

#### Carried Interest Allocations

A portion of the Fund's net investment profit is expected to be allocated to the General Partner or its affiliates (the "*Carried Interest*") typically equal to 20% of realized profits. The manner of calculation of such Carried Interest is disclosed in the applicable Governing Documents. Carried interest that has been paid is subject to clawback under certain circumstances as set forth in the Funds' Governing Documents. The Firm may, in its sole discretion, reduce, waive or calculate differently Carried Interest with respect to any Investors including, without limitation, Investors that are affiliates of the Firm.

Prospective Investors should refer to the Fund's Governing Documents for specific details on the applicable fees and Carried Interest allocations.

The Firm's Management Fees and Carried Interest allocations are not inclusive of all the fees and expenses that Investors may bear. Please refer to the Governing Documents of the Fund for a detailed description of the expenses payable by the Fund.

#### Fund Organizational Expenses

The Fund will bear all costs and expenses incurred in connection with the organization of the Fund, the General Partner, the Manager and their respective affiliates (including, without limitation, any holding vehicles of any of the foregoing), including third party legal, administrative and accounting fees, printing, mailing and courier costs, travel, meals, accommodations, entertainment and other out-of-pocket expenses, and all costs and expenses incurred in connection with the offering of Interests (but excluding any placement fees) ("***Organizational Expenses***") up to an amount capped pursuant to the Fund's Governing Documents. Any excess Organizational Expenses, and any placement fees, will be paid by the Fund but borne by the Manager through a 100% offset against the Management Fee.

## Fund Expenses

In addition to the Management Fee and Carried Interest payable to the Firm, the Fund pays, or reimburses the General Partner for all expenses relating to the Fund's operations ("Fund Expenses"), including, without limitation:

- (a) Organizational Expenses,
- (b) the Management Fee,
- (c) all expenses relating to the organization, operations and maintenance of any feeder vehicle,
- (d) all fees, costs and expenses and liabilities directly related to Investments (including follow-on Investments) or prospective Investments, including legal, accounting, consulting, investment banking and other professional costs, fees, costs and expenses related to the discovery, identification, evaluation, execution, acquisition, settlement, purchase, holding, development, management, monitoring, maintaining, improving, financing, refinancing, and sale of Investments, including, without limitation, travel (at rates not exceeding a first-class equivalent fare), accommodation, meal and entertainment expenses related to such Investments or prospective Investments, syndication fees, bank charges, underwriting commissions and discounts, information services, closing and execution costs, sales commissions, finders' and brokers' fees, appraisal fees, expenses and taxes, custody fees, expenses related to structuring and maintaining investment vehicles, including the organization and operation of any Alternative Investment Vehicle or subsidiary investment vehicle, and any withholding, transfer or other taxes imposed on the Fund (except as otherwise set forth in the Partnership Agreement),
- (e) principal, interest, fees, costs and expenses and other amounts payable relating to financings (including related legal expenses) made or entered into by the Fund or other obligors thereunder, including, but not limited to, the arranging thereof and related legal expenses, all fees, costs and expenses of any loan servicers and other service providers and of any custodians, lenders, investment banks and other financing sources and all fees, costs and expenses related to any financing, hedging, swaps (or other derivatives), ratings, securitization or capitalization,
- (f) fees, costs and expenses relating to third-party services, including custody, legal, accounting, audit, digital wallet providers, storage, consulting (including providing services related to environmental, social and governance ("ESG") investment considerations and policies), investment banking, administrative, tax, audit (including with respect to any additional auditing required under the EU Alternative Investment Fund Managers Directive ("AIFMD")), depositary, safekeeping and other professional costs and expenses, including those provided by affiliates of the General Partner or the Manager,
- (g) all fees, costs and expenses associated with Fund-related reporting obligations and any Fund-related statements, notices, any Freedom of Information Act or Open Records statute (or similar) responses or other communications, including all internal and third-party printing (including a flat service fee), publishing (including time spent performing such printing and publishing services) and reporting-related expenses in respect of the Fund and its activities,
- (h) fees, costs and expenses allocable to the participation of any employee of a Portfolio Company as a beneficiary of any insurance policy or benefit plan of the Manager or an Affiliate thereof or to the utilization by any employee of a Portfolio Company of any office space of the Manager or an Affiliate thereof (which fees, costs and expenses may be charged to, and paid directly by, the applicable Portfolio Company),
- (i) any insurance or indemnity expenses, including the cost of premiums with respect to any directors and officers or similar insurance for the employees of the Manager (it being understood that such policies may cover liabilities in respect of any breach or alleged breach of fiduciary duties or similar duties),

(j) fees, costs and expenses relating to the Fund's administration (including administrative services provided by affiliates of the General Partner or the Manager and fund administrators that perform anti-money laundering or "know your customer" diligence in connection with the onboarding and ongoing participation of investors in the Fund), including preparation of its financial statements, U.S. Internal Revenue Service Schedules K-1 (and any similar or equivalent tax forms of an applicable jurisdiction) and reports to Limited Partners, which services may be provided by affiliates of the General Partner or the Manager, the maintenance of books and records of the Fund, and costs and expenses associated with the maintenance of data rooms,

(k) fees, costs and expenses relating to meetings of Partners and meetings with individual Partners,

(l) fees, costs and expenses relating to the Limited Partner Advisory Committee, including out-of-pocket expenses of its members,

(m) any taxes (except to the extent treated as incurred by the Partners for purposes of determining distributions or specifically chargeable to a particular Limited Partner), fees or other governmental charges levied against the Fund and not properly allocable to a Partner,

(n) fees, costs and expenses relating to unconsummated transactions, including, without limitation, the fees, costs and expenses described in clause (d) above, and including amounts that would otherwise have been borne directly or indirectly by potential co-investors were such transactions consummated,

(o) fees, costs and expenses related to the dissolution and winding up of the Fund, (p) fees, costs and expenses incurred in connection with any restructuring or amendments to the constituent documents of the Fund,

(q) expenses incurred in connection with the collection of amounts due to the Fund from any person, including amounts relating to defaults by Limited Partners in the payment of capital contributions,

(r) fees, costs and expenses (and damages) incurred in connection with the Fund's activities related to regulation, litigation, government inquiries, tax audits (including amounts incurred by the Partnership Representative in its capacity as such), investigations or proceedings, in each case related to the Fund or its Investments,

(s) fees, costs and other similar regulatory filings, expenses relating to filings required under the Securities Exchange Act of 1934, as amended, preparation and filing of reports with the Commodities Futures Trading Commission, compliance or filings related to AIFMD or the European Union General Data Protection Regulation, and any Swiss Representative or Swiss Pay Agent (including the fees, costs and expenses relating to any third-party service provider retained in connection therewith),

(t) fees, costs and expenses relating to complying with the reporting requirements of Sections 1471 through 1474 of the Code and certain regulations and other administrative guidance thereunder,

(u) any fees payable to any placement agent or finder in respect of the offering of interest in the Fund ("Placement Agent Fees"), the allocable portion of which will offset the Management Fee on a dollar-for-dollar basis, in accordance with the Partnership Agreement,

(v) all fees, costs and expenses relating to appraisals and valuations,

(w) all fees, costs and expenses that are classified as extraordinary expenses under U.S. generally accepted accounting principles,

(x) all fees, costs and expenses incurred by vendors that support Investments, including, without limitation, expenses for firms engaged by the Manager to provide public relations services,

(y) all fees, costs and expenses associated with the Fund's information obtaining and maintaining technology (including the costs of any professional service providers), hardware/software (including, but not limited to, software or services used to manage risk, facilitate valuations or for other reporting or compliance purposes, and accounting software), data-related services (including but not limited to, data management and recovery services), communication, market data and



research (including news and quotation equipment and services and industry and company information databases, such as for ESG diligence and monitoring purposes) including costs of research groups (which are generally allocated among applicable fund vehicles based on time spent, assets under management, usage rates, proportionate holdings, or a combination thereof) and expenses and fees (including compensation costs) charged or specifically attributed or allocated by the Manager and/or its affiliates for data-related services provided to the Fund and/or Portfolio Companies (including in connection with prospective Investments),

(aa) in the case of clauses (s) and (t) above, similar regulations and administrative requirements in other jurisdictions expenses related to compliance with and filings under other applicable laws, rules and regulations,

(bb) Subscription Agreement processing, Fund administration software and related services,

(cc) fees, costs and expenses incurred in connection with administering Side Letters (as defined below) entered into with Limited Partners (including any software used in connection therewith), including the distribution and implementation of any applicable elections pursuant to “most-favored nation” or similar clauses.

### Broken Deal Expenses

Broken Deal Expenses will generally be borne solely by the Funds, in accordance with the Funds’ Governing Documents, even if co-investors were being sought or in some cases have agreed to participate had the transaction been consummated. Such co-investors may include those with whom the Adviser has pre-existing relationships, as well as co-investors that have participated in other completed transactions. By generally bearing the Broken Deal Expenses, the Funds provide a potential benefit to other co-investors in the Funds’ investments. Please see “*Item 8 – Methods of Analysis, investment Strategies and Risk of Loss*” below for additional information on allocation of Broken Deal Expenses.

### Overhead Expenses

The General Partner and Manager will generally pay, without reimbursement by the Fund, all of its own ordinary administrative and overhead expenses, including all costs and expenses on account of rent, office equipment, salaries, wages, bonuses and other employee benefits, except as otherwise set forth in the applicable Governing Documents.

### Fund Borrowings

The applicable Governing Documents of each Fund have provisions that allow each such Fund to borrow money for investment and other purposes. Such borrowings may be made prior to capital being called from such Fund’s investors. This mechanism may defer investor capital calls and provides a form of leverage that can have the effect of amplifying a Fund’s reported net internal rate of return (IRR), particularly in the early years of a Fund’s investment cycle. Such borrowings can also accelerate the date upon which a Fund’s preferred return will be achieved for purposes of determining when the applicable general partner (or affiliates which earn carried interest) are entitled to begin receiving carried interest payments on distributions from a Fund. In accordance with the terms of the applicable Governing Documents of each Fund, interest payments and other fees and expenses incurred in respect of such borrowings are partnership expenses and such expenses will decrease a Fund’s net returns over time. The terms of each Fund’s borrowing arrangement and borrowings outstanding, if any, are disclosed to the investors in the annual financial statements of each Fund.

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

### Performance-Based Fees

As described under “Carried Interest Allocations” in Item 5 above, the General Partner receives performance-based compensation in the form of Carried Interest from the Fund in accordance with the Fund’s Governing Documents. Although Carried Interest is a method of compensation generally used to align the General Partner’s interests with those of the Funds’ Limited Partners, the existence of this arrangement could create an incentive for the Firm to make riskier or more speculative investments or dispose of its Fund’s portfolio investments at a time and in a sequence that would generate the most Carried Interest than would be the case if such Carried Interest were not part of its overall compensation structure.

### Side-by-Side Management

Subject to the terms of the Fund’s applicable Governing Documents, the Firm reserves the right to commence the operation of a successor Fund. Potential conflicts are generally mitigated by restrictions on forming a new Fund that would compete with a prior Fund for comparable investments until the prior Fund is substantially invested or has had a substantial portion of its capital commitments committed/reserved for investment.

In the event that a successor Fund or investment vehicle is making investments at the same time as a predecessor Fund, the Firm will allocate investment opportunities between such Funds or investment vehicles in accordance with its investment allocation policies and procedures.

The Firm reserves the right to provide concurrent advisory services to Funds that charge different rates of Carried Interest, Management Fees or other types of compensation. The potential for the Firm’s related persons to receive greater Carried Interest, Management Fees or such other types of compensation will create a conflict of interest with respect to the allocation of investment opportunities. The Firm seeks to address such conflicts on a fair and equitable basis in its good faith discretion and has established policies and procedures intended to address the potential conflicts of interest described above. See “*Item 10 – Other Financial Industry Activities and Affiliations*” for additional information.

## **Item 7 – Types of Clients**

The Firm provides investment advice to the Fund and not to the individual Limited Partners. Interests in the Fund are exempt from registration under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and the Fund relies on an exclusion from registration as an investment company pursuant to Sections 3(c)(1) or 3(c)(7) under the U.S. Investment Company Act of 1940, as amended (the “Investment Company Act”). Accordingly, interests in each Fund are offered and sold exclusively to persons who are “accredited investors” (as defined in Regulation D under the Securities Act), “qualified purchasers” or “knowledgeable employees” (each, as defined in the Investment Company Act), or a “non-U.S. person” (as defined under Rule 902 under the Securities Act), or to persons who are otherwise permitted to invest under applicable securities laws. Fund interests generally are offered and sold solely to accredited investors and/or qualified purchasers (or knowledgeable Firm employees) that are also “qualified clients” (as defined in Rule 205-3 under the Advisers Act).

The investors participating in the Funds generally may include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities.

Prospective Investors should refer to the Offering Documents of the Fund for information on minimum investment requirements. Typically, the Firm will require a minimum investment of \$5,000,000, although, the Firm maintains discretion to individually waive, increase or reduce the minimum investment required.

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

### **General**

18 Somerset is a private investment firm focused on investing, directly or indirectly, in companies that are active in the financial technology industry or related businesses. The Firm will generally make early-stage and growth Investments, which will largely take the form of equity, but may take other forms including but not limited to preferred equity or credit and may make Investments in companies at various stages of development, including in certain instances, companies that are publicly traded. 18 Somerset’s investment advisory services consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for investments.

### **Investment and Operating Strategy**

The Firm’s internal resources will create three highly collaborative teams to focus on the research process – the CIO Team, the Management Team, and the Investment Vertical team (collectively, the “*Investment Team*”). We aim to focus on investments in at least three areas: Capital Markets & Wealth Tech, Payments, and Digital Assets. We will expand to other verticals on an opportunistic basis. This targeted approach will allow 18 Somerset to differentiate itself by focusing on high conviction investment ideas selected through a rigorous review by experts in the domain(s). The Fund will establish a pipeline of companies, including (but not limited to) those in its portfolio, for which the Firm will provide guidance as their value proposition evolves and will strategically advance solutions with partner financial institutions.

Our team will leverage its deep knowledge of operationalizing new technologies within established firms as a lens through which to analyze opportunities for investment.

#### **1) Sourcing**

18 Somerset’s management team will use their own extensive knowledge of the financial industry as well as that developed over time through its Investment Team to identify and filter through the broader fintech landscape to identify potential investments. Further, strategic LPs will be encouraged to engage with the Firm to identify opportunities for 18 Somerset to evaluate.

## 2) Screening

Once identified, 18 Somerset will engage in a screening process for potential investments. This evaluation may include meeting with the entrepreneurs to review, inter alia, the value proposition, business model, unit economics, financial outlook, growth prospects, historical performance, technology infrastructure, protective moat, size of the raise and preliminary valuation. The Investment Committee will review and discuss these preliminary findings to determine whether or not to move forward with additional due diligence. Many opportunities will not pass this stage.

## 3) Due Diligence

18 Somerset intends to pursue a rigorous Due Diligence process for opportunities that have passed the initial screening noted above. The review will include, as appropriate and needed, a deeper review of the overall investment opportunity, deeper valuation analysis, business plan, revenue model, financials, management team assessment, technology assessment, distribution strategy and capabilities analysis, as well as a legal and compliance review. A review may not undergo all elements before a decision is rendered. The Firm seeks to maintain high standards of due diligence, following proven methods and endeavoring to update to new standards or techniques as required.

## 4) Investment Committee Review

Post Due Diligence, the Investment Committee will make a decision to proceed with the investment, pass on the investment, or seek additional due diligence.

## 5) Periodic reevaluation of both deals closed and deals passed

The Firm will maintain a record of decisions for deals approved and deals passed by the Investment Committee. Periodically, and no less than every other year, the Firm perform a comparative analysis of deals approved versus deal passed on a best-efforts basis. The result of this analysis will be provided to the Investment Team and Investment Committee in an effort to improve the deal decision-making process for the Firm.

There can be no assurance that the Firm will achieve the investment objectives of the Fund and a loss of investment is possible. A full description of the Firm's investment strategy and processes with respect to the Fund are included in applicable Governing Documents.

## **Risks Related to Investments**

Potential investors should be aware that an investment in the Fund involves a high degree of risk and is suitable only for sophisticated investors who fully understand and are capable of bearing the risks of an investment in the Fund. There can be no assurance that the Fund will achieve its investment objectives or avoid substantial losses. Accordingly, a prospective investor should only invest in the Fund if the investor is able to withstand a total loss of its investment. In addition, there will be occasions when the General Partner or its affiliates will encounter actual or potential conflicts of interest in connection with the activities of the Fund. In evaluating an investment in the Fund, prospective investors should carefully consider, among other factors, the matters described below, each of which could have an adverse effect on the value of the Interests.

Prospective investors should carefully refer to the Fund's Governing Documents, and should consult with their own legal, tax and financial advisors regarding an investment in the Fund, including the risks involved, before making a decision to invest in the Fund. The risks described below do not purport to be a complete explanation of all the risks involved in acquiring Interests in the Fund. Capitalized terms used but not defined are used as defined in the Fund's applicable Governing Documents.

### ***General Economic and Market Conditions.***

Changes in general economic conditions may affect the Fund's activities. Interest rates, general levels of economic activity, the price of securities and participation by other investors in the global finance markets may affect the value and number of Investments made by the Fund or considered for prospective investment. The Fund's Investments can be expected to be sensitive to the performance of the overall economy. A negative impact on economic fundamentals and consumer and business confidence would likely increase market volatility and reduce liquidity, both of which could have a material adverse effect on the performance of the Fund's Investments. No assurance can be given as to the effect of these events on the Fund's investment objectives.

Actions by the Federal Reserve and other central banks, including changes in policies, have had a significant and ongoing effect on interest rates and on the U.S. and world economies generally, which in turn may affect the valuations at which the Fund is able to acquire Investments and performance of the Fund's Investments on an absolute or relative basis. In addition, the consequences of the extensive changes to the regulation of various markets and market participants contemplated by the legislation and increased regulation arising out of the global financial crisis have not been fully implemented in all cases, and therefore the ultimate effects thereof are difficult to predict or measure with certainty. Any future disruptions in debt or equity markets may impair the Fund's ability to consummate transactions and cause the Fund to enter into transactions on less favorable terms, including both acquisitions and exits.

### ***Nature of Investments.***

The Fund's Investments involve a high degree of risk that can result in substantial losses. There can be no assurance that the General Partner or the Manager will correctly evaluate the nature and magnitude of the various factors that could affect the value of such Investments. Prices and market movements of the Fund's Investments may be volatile, and a variety of other factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Fund's activities and the value of the Fund's Investments. As a result, the Fund's performance over a particular period may not necessarily be indicative of the results that may be expected in future periods.

Additionally, the Fund may invest a portion of its assets in the securities of less-established companies, including those with little or no operating history. Such companies tend to have smaller capitalizations and may face intense competition, including from companies with greater resources. Such companies are therefore often more vulnerable to financial failure, and any such investment should be considered highly speculative.

### ***Uncertainty of Estimates, Market Conditions and Financial Projections.***

Estimates or projections of market conditions supply and demand dynamics are key factors in evaluating potential investment opportunities and valuing Investments and related assets. The

process of making these estimates is complex, requiring significant decisions, collection of accurate factual information and assumptions in the evaluation of available data. These estimates are subject to wide variances based on changes in market conditions, underlying assumptions and certain technical or investment-related assumptions. The General Partner expects to establish the suitability and capital structure of Investments on the basis of financial projections and market conditions for such Investments. Projections, forecasts and estimates are forward-looking statements and are based upon certain assumptions. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed.

### ***Inflation Risk.***

If an Investment is unable to increase its revenue in times of higher inflation, its profitability may be adversely affected. Many of the Fund's Investments may have revenues linked to some extent to inflation, including, without limitation, by government regulations and contractual arrangement. As inflation rises, an Investment may earn more revenue but may incur higher expenses. As inflation declines, an Investment may not be able to reduce expenses commensurate with any resulting reduction in revenue.

### ***Brexit and the European Union.***

As of January 1, 2021, the relationship between the United Kingdom ("**UK**") and the European Union ("**EU**") is governed by the EU-UK Trade and Cooperation Agreement ("**TCA**"). The TCA does not replicate in full the UK's membership of the EU and negotiations are ongoing between the UK and the EU in a number of areas including, but not limited to, financial services. The consequences of Brexit, together with the protracted negotiations around the terms of Brexit and the negotiations that the UK is currently undertaking with other countries with a view to replicating (where possible) the effects of the EU's international trade agreements which the UK will no longer benefit from, could introduce significant uncertainties into global financial markets and adversely impact the regions in which the Manager and its clients operate. As a result, the potential returns on the Fund's Investments could be materially adversely affected.

### ***Public Health Crisis.***

A public health crisis, such as the outbreak of the COVID-19 global pandemic, can have unpredictable and adverse impacts on global, national and local economies, which can, in turn, negatively impact the Fund and its investment performance. Disruptions to commercial activity, including important global, regional and local supply chains and economic markets (due to the imposition of quarantines or travel restrictions) or, more generally, a failure to contain or effectively manage a public health crisis, may materially and adversely impact the Fund's Investments. In addition, such disruptions may negatively impact the ability of the Manager's personnel to effectively identify, monitor, operate and dispose of Investments and the Fund's ability to achieve its investment objectives, all of which could result in significant losses to the Fund. Finally, the outbreak of COVID-19 has contributed to, and may continue to contribute to, extreme volatility in financial markets. Such volatility could adversely affect the Manager's ability to secure financing for the Fund's Investments or identify potential purchasers of the Fund's Investments, all of which could have material and adverse impact on the Fund's performance. The impact of a public health crisis such as COVID-19 (or any future pandemic, epidemic or outbreak

of a contagious disease) presents material uncertainty and risk with respect to the Fund's performance.

### ***Russian Invasion of Ukraine.***

In early 2022, Russia commenced a military invasion of Ukraine. In response to Russia's actions, the United States and several nations have announced sanctions against Russia, which could have a negative impact on the economy and business activity globally (including in the countries in which the Fund invests), and therefore could adversely affect the performance of the Fund's Investments. Furthermore, the conflict between Russia and Ukraine and the varying involvement of the United States and other NATO countries could preclude prediction as to their ultimate adverse impact on global economic and market conditions, and, as a result, presents material uncertainty and risk with respect to the Fund and the performance of its Investments or operations, and the ability of the Fund to achieve its investment objectives. Additionally, to the extent that third parties, investors or related customer bases have material operations or assets in Russia or Ukraine, they may have adverse consequences related to the ongoing conflict.

### ***Limited Number of Investments; Sector Concentration.***

The Fund is expected to participate in a limited number of Investments. In addition, Limited Partners may be excluded or excused from Investments in certain situations. As a consequence, the number of Investments in which the Limited Partners participate will accordingly be limited, and the aggregate return to the Limited Partners may be substantially adversely affected by the unfavorable performance of even a single Investment. If certain of the Fund's Investments perform unfavorably, one or more of its other Investments must perform very well in order for the Fund to achieve above-average returns. There can be no assurance that this will be the case. In addition, prospective investors have no assurance as to the degree of diversification of the Fund's Investments, either by geographic region, industry or asset type.

The Fund's Investments may be concentrated in a particular issuer, industry or geographic region, with the result that the overall value of the Fund's Investments will become more susceptible to adverse economic or business conditions affecting any such sector, issuer, industry or region. Furthermore, if the Fund invests alongside other private equity funds or debt investors in which a Limited Partner is also invested, a Limited Partner may have exposure to investments through more than one fund.

### ***Early-Stage, Venture Capital and Other Pre-Growth-Stage Investments***

The Fund intends to target early-stage, venture capital and other pre-growth-stage investments. While early-stage, venture capital and other pre-growth-stage 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. Early-stage, venture capital and other pre-growth-stage 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. Early-stage, venture capital and other pre-growth-stage 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.

***Risk of Investments in Less Established Companies.***

The Fund will invest a portion of its assets in the securities of less established companies. Investments in such early stage companies may involve greater risks than generally are associated with investments in more established companies. To the extent there is any public market for any such securities held by the Fund, such securities may be subject to more abrupt and erratic market price movements than those of larger, more established companies. Less established companies tend to have lower capitalizations and fewer resources and may face intense competition, including from companies with greater financial resources, more extensive development, marketing and service capabilities, and a larger number of qualified managerial and technical personnel. Such companies are therefore often more vulnerable to financial failure. Such companies also may have shorter operating histories on which to judge future performance and, if operating, may have negative cash flow. A Portfolio Company may need to implement appropriate sales and marketing, inventory, finance, personnel and other operational strategies in order to become and remain successful. The Fund's returns will depend upon the General Partner's ability to find and invest in companies that can successfully combine these strategies where products and markets are constantly evolving. Any such Investment should be considered highly speculative and may result in the loss of the Fund's entire investment therein. There can be no assurance that any such losses will be offset by gains (if any) realized on the Fund's other Investments.

***Risks Related to Financial Services.***

The Fund expects to invest in Portfolio Companies in the financial services sector. Financial services companies have asset and liability structures that are essentially monetary in nature and are directly affected by many factors, including domestic and international economic and political conditions, broad trends in business and finance, legislation and regulation affecting the national and international business and financial communities, monetary and fiscal policies, interest rates, inflation, currency values, market conditions, the availability and cost of short- or long-term funding and capital, the credit capacity or perceived creditworthiness of customers and counterparties, and the level and volatility of trading markets. Such factors can impact customers and counterparties of financial services companies and may impact the value of financial instruments held or issued by financial services companies. Fluctuations in interest rates, which affect the value of assets and the cost of funding liabilities, are not predictable or controllable, may vary from country to country and may impact economic activity in various regions.

The financial services industry is extremely competitive, and it is expected that competitive conditions in the industry will continue to intensify. Merger activity in the financial services industry has resulted in, and may continue to result in, larger institutions with greater financial and other resources that are capable of offering a wider array of financial products and services. The financial services industry has become considerably more concentrated as numerous financial institutions have been acquired by or merged into other institutions. Technological advances and the growth of e-commerce have made it possible for nonfinancial institutions to offer products and services that have been traditionally offered by financial services institutions. It is expected that cross-industry competition will continue to intensify.

The financial services industry is highly dependent on communications and information systems and is exposed to many types of operational risk, including the risk of fraud by employees or other



parties, record keeping error, errors resulting from faulty computer or telecommunication systems, computer failures, computer hacking, data breaches and damage to computer and telecommunication systems caused by internal or external events.

### ***Investments in Regulated Industries.***

The Fund expects to invest in Portfolio Companies in the financial services sector, an industry that is subject to greater amounts of regulation than other industries generally. Investments in Portfolio Companies that are subject to greater amounts of governmental regulation pose additional risks relative to investments in other companies generally. Changes in applicable laws or regulations, or in the interpretations of these laws and regulations, could result in increased compliance costs or the need for additional capital expenditures and/or regulatory capital requirements. If a Portfolio Company fails to comply with these requirements, it could also be subject to civil or criminal liability and the imposition of fines. A Portfolio Company also could be materially and adversely affected as a result of statutory or regulatory changes or judicial or administrative interpretations of existing laws and regulations that impose more comprehensive or stringent requirements on such company. Governments have considerable discretion in implementing regulations that could impact a Portfolio Company's business and governments may be influenced by political considerations and may make decisions that adversely affect a Portfolio Company's business.

### ***Risks Related to Financial Technology.***

The Fund expects to invest in Portfolio Companies that operate in the financial technology sector or are dependent on certain technologies for the provision of their products or services.

The technology sector is challenged by various factors, including rapidly changing market conditions and participants, new competing products and services and improvements in existing products and services. Some of the Fund's Portfolio Companies may compete in this volatile environment. There is no assurance that products or services sold by financial technology companies will not be rendered obsolete or adversely affected by competing products and services or other challenges. Instability, fluctuation or an overall decline related to changes in the technology sector may cause a decrease in the value of the Fund's Investments, which may not be balanced by Investments not so affected.

If the products or services a Portfolio Company provides relate to the facilitation of financial transactions, such as funds or securities settlement systems, and a failure or compromise of such Portfolio Company's product or service results in loss to a customer or its clients, the Portfolio Company and/or the Fund may be liable for such loss. The amount of the loss could be significantly greater than the revenues derived from providing the product or service.

The General Partner expects that the customer base for certain Portfolio Companies' products or services will be principally banks and other financial institutions such as insurance companies and securities firms, all of which are subject to extensive regulation. Any product or service a Portfolio Company supplies to these firms likely will be affected by and designed to comply with the customer's regulatory environment. If the regulatory environment affecting a particular product or service changes, the product or service could become obsolete or unmarketable, or require extensive and expensive modification. As a result, regulatory changes may impair the Portfolio Company's revenues and profitability. If a Portfolio Company only provides a single product or service, a change in the applicable regulatory environment could cause a significant business interruption and loss of revenue until appropriate modifications are made. Moreover, if the

regulatory change eliminates the need for the product or service, or if the expense of making necessary modifications exceeds the Portfolio Company's resources or available financing, the Portfolio Company may be unable to continue in business.

### ***Risks Related to Digital Assets.***

The Fund may invest in companies that develop, operate or maintain infrastructures for digital assets, virtual currencies, cryptocurrencies, or digital coins/tokens (collectively, "***Digital Assets***") networks or that operate in or around the Digital Asset networks or in investment vehicles that invest in such Digital Assets or companies ("***Digital Asset-related Investments***"). Digital Asset networks are vulnerable to hacking and malware and many Digital Asset exchanges have been closed due to fraud, failure or security breaches. In such event, the Fund's Digital Asset-related Investments may be adversely affected. Digital Assets generally represent a speculative investment and involve a high degree of risk. As relatively new products and technologies, Digital Assets have not been widely adopted as a means of payment for goods and services by major retail and commercial outlets. A significant portion of the demand for Digital Assets is generated by speculators and investors seeking to profit from the short or long-term holding of Digital Assets. The prices of Digital Assets are subject to rapid and extreme fluctuations. A lack of expansion by Digital Assets into retail and commercial markets, or a contraction of such use, may result in increased volatility, which may adversely affect the Fund's Digital Asset-related Investments. In addition, as Digital Assets have grown in popularity, certain U.S. and non-U.S. regulatory agencies have begun to examine Digital Assets and the operations of their networks. To the extent that any Digital Asset is determined to be a security, commodity future or other regulated asset, to the extent that a U.S. or non-U.S. government or quasi-governmental agency exerts regulatory authority over such Digital Asset, or if it becomes illegal, now or in the future, to own, hold, sell or use such Digital Asset in one or more countries, including the United States, one or more of the Fund's Digital Asset-related Investments may be adversely affected. Furthermore, the taxation of the acquisition, ownership and disposition of Digital Assets is uncertain in many jurisdictions and continuously evolving in others.

### ***Portfolio Company Operations.***

The General Partner expects that market acceptance of a Portfolio Company's products and services may depend upon the reliable operation and security of the Portfolio Company's systems and their connection to the systems of their customers. Any operational or connectivity failures, system outages or security breaches could result in revenue loss to the Portfolio Company until corrected and could result in client dissatisfaction, causing them to terminate or reduce their business dealings with the Portfolio Company.

The General Partner expects that certain Portfolio Companies will rely on a combination of contractual rights and copyright, trademark, patent and trade secret laws to establish and protect any proprietary technology of a business. Although the Fund intends to protect vigorously any intellectual property it (or its Portfolio Companies) acquires, third parties may infringe or misappropriate such intellectual property or may develop competitive technology. Competitors may independently develop similar technology, duplicate products or services or design around existing intellectual property rights. A Portfolio Company may have to litigate to enforce and protect its intellectual property rights, trade secrets and know-how or to determine their scope, validity or enforceability, which is expensive, could cause a diversion of resources and may not prove successful. The loss of intellectual property protection or the inability to secure or enforce

intellectual property protection could harm the Portfolio Company's business and ability to compete.

The Fund (or its Portfolio Companies) also may be subject to claims by third parties for infringement of another party's proprietary rights, or for breach of copyright, trademark or license usage rights. Any such claims and any resulting litigation could subject the Fund (or its Portfolio Companies) to significant liability for damages. An adverse determination in any litigation of this type could require a Portfolio Company to design around a third party's intellectual property, obtain a license for that technology or license alternative technology from another party. None of these alternatives may be available to the Portfolio Company at a price which would allow it to operate profitably. In addition, litigation is time consuming and expensive to defend and could result in the diversion of the time and attention of Portfolio Company management and employees. Any claims from third parties may also result in limitations on the ability to use the intellectual property subject to these claims.

### ***Risks of Leverage.***

The General Partner may leverage the Fund's Investments. Leveraged Investments will be subject to increased exposure to adverse economic factors such as a significant rise in interest rates or a severe downturn in the economy. The leverage provided will result in interest expense and other costs incurred in connection with such borrowings, which may not be covered by available cash flow. While leverage may enhance the total return to Partners, if investment results fail to cover borrowing costs, returns to the Partners will be lower than if there had been no borrowings. Further, if the Fund defaults on secured indebtedness, the lender may foreclose on the assets that serve as collateral in respect of such indebtedness and the Fund could lose its entire interest in such assets.

The Fund may obtain a credit facility to finance its Investments and such credit facility may be secured by assets of the Fund or by a direct or indirect pledge of the Partner's Unfunded Commitments. In the event of a default under such a facility, the lender could foreclose on such Unfunded Commitments.

### ***Hedging Risk.***

The Fund may enter into hedging transactions to hedge interest rate risks and/or foreign currency rate risks. Although such hedging transactions may reduce risks, there are additional risks associated with such transactions, including the risk that unanticipated changes in such rates may result in a poorer overall performance for the Fund than if it had not entered into any such hedge transaction. In addition, the company issuing a hedging instrument (i.e., the counterparty) may be unable to pay the amount due on such instrument. Upon the default or failure of a counterparty to any hedging financial instrument, the Fund may be exposed to the risks of fluctuations in interest and/or currency rates. Certain hedging arrangements may create for the General Partner and/or one of its affiliates an obligation to register with the U.S. Commodity Futures Trading Commission (the "CFTC") or other regulator or comply with an applicable exemption. Losses may result to the extent that the CFTC or other regulator imposes position limits or other regulatory requirements on such hedging arrangements, including under circumstances where the ability of a Fund or a portfolio company to hedge its exposures becomes limited by such requirements.

### ***Availability of Investment Capital.***

Early-stage investments often require several rounds of capital infusions before the Portfolio Company reaches maturity. If the Fund does not have funds available to participate in subsequent rounds of financing, that shortfall may have a significant negative impact on both the Portfolio Company and the face value of the Fund's original investment. The Fund does not intend to provide all necessary follow-on capital required by a Portfolio Company. Accordingly, third-party sources of financing will likely be required. There is no assurance that such additional sources of financing will be available, or, if available, will be on terms beneficial to the Fund. Furthermore, the Fund's capital is limited and may not be adequate to protect the Fund from dilution in multiple rounds of Portfolio Company financing.

### ***Lack of Current Distributions.***

It is uncertain as to when profits from the Fund, if any, will be realized. Losses on unsuccessful Investments may be realized before gains on successful Investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an Investment. Before such time, there may be no current return on, near-term cash flow from or dividends from, such Investment. Furthermore, the expenses of operating the Fund may exceed its income, thereby requiring that the difference be paid from the Fund's capital.

### ***Cyber Security Breaches and Identity Theft.***

The Firm, the Manager, the General Partner, the Fund and its Portfolio Companies' information and technology systems may be 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 the Firm has 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, the Firm, the Manager, the General Partner, the Fund or a Portfolio Company may incur specific time or expense to fix or replace them and to seek to remedy the effects of such issues. The failure of these systems or of disaster recovery plans for any reason could cause significant interruptions in the operations of the Firm, the Manager, the General Partner, the Fund or a Portfolio Company and could result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors in the Fund (and the beneficial owners of such investors). Such a failure could harm the reputation of the Firm, the Manager, the General Partner, the Fund or a Portfolio Company and could subject such entities and their respective affiliates to legal claims or otherwise affect their business and financial performance.

### ***Data Protection Regulation.***

Data privacy and cybersecurity are receiving increased amounts of attention and scrutiny from regulators. In the European Union, the General Data Protection Regulation (the "**GDPR**") has created a single legal framework for data privacy laws across the EU. To the extent that the Fund, the General Partner, the Manager or any Portfolio Company is established in the EU, or is not established in the EU but offers services to, or monitors the behavior of, natural persons in the EU ("**EU Data Subjects**"), the related data processing will have to comply with the provisions of the GDPR, which are extensive and require consistent and thorough application. In addition, global

data protection laws are evolving, and the Fund, the General Partner, the Manager and Portfolio Companies may be continually subject to new laws, regulations or standards or new interpretations of existing laws, regulations, or standards, any of which could affect the value of the Portfolio Companies and the financial condition of the Fund. Failure to comply with applicable requirements may result in governmental enforcement actions, litigation, (actual or contingent) fines and penalties or adverse publicity, which could have a material adverse effect on the Fund.

***No Assurance of Investment Return.***

All investments risk the loss of capital. No guarantee or representation can be made that the Fund will achieve its investment objective or avoid significant losses. On any given Investment, total loss of principal is possible. The Fund may invest in companies with highly leveraged capital structures, which by their nature require companies to undertake a high ratio of fixed charges to available income. Such Investments are inherently more sensitive to any decline in revenues and to any increases in expenses or interest rates. Since the Fund is expected to participate in Investments that involve a high degree of risk, the aggregate return of the Fund may be affected by the negative performance of a single Investment. An investment in the Fund should only be considered by persons who can afford a loss of the entire amount invested.

***Difficulty of Locating Suitable Investments.***

Identification of attractive investment opportunities is a difficult, highly competitive activity that involves a high degree of uncertainty and will be subject to market conditions. Furthermore, the Fund will be competing for Investments with other investment funds, as well as strategic buyers, industrial groups, financial institutions and other investors, some of which may have greater resources, higher risk tolerances, lower cost of capital or an ability to achieve operational synergies that are not available to the Fund. In past years, a number of private equity funds and debt investors have been formed with objectives similar to the Fund, and funds raised by competing sponsors have grown in size. These trends have contributed to increased competition for appropriate investment opportunities, which may reduce the number of investment opportunities available to the Fund, force the fund to participate in auction processes in order to access investment opportunities and adversely affect the terms, including price, on which the Fund is able to acquire Investments. Participating in auctions will increase the pressure on the Fund with respect to pricing of a transaction, and the increasingly more competitive environment may make it more difficult for the Fund to obtain certain other terms in a transaction. In the event a financing-related closing condition is not available to the Fund or if the Fund is required to provide a reverse break-up fee or guarantee in connection with a potential investment, the Fund may become obligated to consummate a transaction on less favorable terms or may be required to fund the reverse break-up or similar fee in connection with a potential investment that is not made.

Prospective investors must rely on the ability of the General Partner and the Manager to identify, structure, manage and exit Investments consistent with the Fund's investment objectives. There can be no assurance that the Fund will be able to locate and complete Investments or exit Investments on favorable terms, or that it will be able to fully invest its committed capital. Limited Partners will be required to pay the Management Fee for an extended period of time based on the entire amount of their respective Commitments, even if the Fund is never fully invested.

### ***Non-Controlling Investments; Investments with Third Parties.***

The Fund will hold a non-controlling position, minority interest in certain Portfolio Companies and, therefore, may have a limited ability to protect its position in such Portfolio Companies, although as a condition of investment in a Portfolio Company, the General Partner expects that appropriate shareholder rights generally will be sought to protect the Fund's interests. In such cases, the Fund will typically be significantly reliant on the existing management, board of directors (or equivalent) and other shareholders of such companies, who may not be affiliated with the Fund and whose interests may conflict with the interests of the Fund. In addition, the Fund may invest alongside third parties, including through partnerships, joint ventures or other similar arrangements, and such third parties may have larger ownership interests than the Fund or may otherwise share control with the Fund in the relevant Portfolio Companies. Such Investments may involve additional risks in connection with such third-party involvement, including the possibility that a third party may have financial difficulties resulting in a negative impact on the Investment, may have economic or business interests or goals that are inconsistent with those of the Fund or may be in a position to take (or block) action in a manner contrary to the Fund's investment objectives. In each such case, the Fund may not be in a position – either practically or contractually – to take action to protect the value of the Fund's Investment in the entity. If any such third party were to default on its obligations with respect to the relevant Portfolio Company, the value of the Fund's interest in such Portfolio Company could be materially adversely affected. Certain decisions will require approval of all investors, including third parties, and the cooperation among the investors on existing and future business decisions will be an important factor for the sound operation and financial success of these businesses. Disputes among joint owners do arise and could have an adverse effect on the financial conditions or results of operations of these businesses and in some instances, give rise to indemnification or other expense for the Fund. In addition, the Fund may in certain circumstances be liable for the actions of third-party investors. In circumstances where third-party investors are involved in the management of a Portfolio Company, such third parties may receive compensation arrangements relating to such company, including incentive compensation arrangements. There can be no assurance that minority rights will be available or that such rights will provide sufficient protection of the Fund's interests.

### ***Counterparty Risk.***

The Fund is exposed to the risk that third parties that may owe the Fund or the Portfolio Companies money, securities, or other assets will not perform their obligations. These parties include transaction counterparties, custodians, brokers, administrators and other financial intermediaries. These parties may default on their obligations to the Fund or the Portfolio Companies, due to bankruptcy, lack of liquidity, operational failure, or other reasons.

### ***Risk of Bridged Investments.***

The Fund is permitted to make Bridged Investments, subject to certain limitations. If the Fund makes an Investment in a single transaction with the intent of refinancing or syndicating the portion of that Investment consisting of the Bridged Investment, there is a risk that the Fund will be unable to complete successfully such a refinancing. This could cause the Fund to be less diversified than the General Partner intended, and the interest rate or other terms of such Bridged Investment may

not adequately reflect the risk associated with the position taken by the Fund, any of which may reduce investment returns to the Fund.

***Recall; Reinvestment.***

The General Partner has the right to recall certain amounts, including in respect of returned fees and expenses and returned capital, as provided in the Partnership Agreement. Accordingly, during the term of the Fund, a Limited Partner may be required to make capital contributions in excess of its Commitment. Such reinvestment ability may limit early distributions to Limited Partners, and to the extent such recalled or retained amounts are reinvested in Investments, a Limited Partner will remain subject to the investment and other risks associated with such Investments. As a result, reinvestment may increase the risk of investing in the Fund.

***Portfolio Construction May Vary.***

Many factors may contribute to changes in emphasis in the construction of the portfolio, including changes in market or economic conditions or regulations as they affect various industries and changes in the political or social situations in particular countries.

***Over-Commitment.***

In order to facilitate the acquisition of a Portfolio Company, the Fund may make (or commit to make) an Investment in such company with a view to selling a portion of such Investment to third-party co-investors or other persons prior to or within a brief period after the closing of the acquisition. In such event, the Fund will bear the risk that any or all of the excess portion of such Investment may not be sold or may only be sold on unattractive terms and that, as a consequence, the Fund may bear the entire portion of any break-up fee or other fees, costs and expenses related to such Investment, hold a larger than expected Investment in such Portfolio Company or may realize lower than expected returns from such Investment. The General Partner will endeavor to address such risks by requiring such investments to be in the best interests of the Fund, regardless of whether any sell-down ultimately occurs. Neither the General Partner or the Manager nor any of their respective affiliates will be deemed to have violated any duty or other obligation to the Fund or any of its investors by engaging in such investment and sell-down activities.

***Illiquid and Long-Term Investments; Risks of Realization of Investments.***

Although Investments by the Fund may generate some current income, the return of capital and the realization of gains, if any, from an Investment generally will occur only upon the partial or complete disposition of such Investment. While an Investment may be sold at any time, it is not generally expected that this will occur for a number of years after the Investment is made. The Fund expects that certain of its Investments will not be, and are not expected to become, publicly traded. Investments may consist of the most junior securities of a company with a complex capital structure, which are subject to the greatest risk of loss. Moreover, the Fund may engage in capital market transactions such as hedging or the purchase of derivative securities designed to reduce risk in respect of publicly traded Portfolio Companies, but such transactions also entail inherent risk. The Fund will generally not be able to sell securities publicly unless the sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available.

It is unlikely that there will be a public market for all or substantially all of the securities held by the Fund at any particular time. Even where the Fund holds freely tradable publicly traded securities, the Fund's position may represent a significant portion of the outstanding public float of a particular company, thereby limiting the Fund's ability to dispose of or reduce its position in such company by selling shares into the market without adversely affecting the share price. Accordingly, Portfolio Companies may become public through initial public offerings without thereby permitting an immediate exit for the Fund or Partners who may have received an in-kind distribution of such Portfolio Company's securities. No assurance can be given that, if the Fund desires to dispose of a particular Investment, it will be able to dispose of such Investment at a prevailing market price. There is a risk that disposition of such Investments may require a lengthy time period or may result in distributions in kind to investors, after which Partners will bear the risk of holding the securities and must make their own disposition decisions. To the extent that the Fund is unable to dispose of certain Investments prior to the expiration of its term, the Fund may take such amount of time to complete the winding up of its affairs as the General Partner determines is reasonably necessary to liquidate such remaining Investments, satisfy Fund creditors and make any distributions of liquidation proceeds.

### ***Risks Relating to Due Diligence of and Conduct at Portfolio Companies.***

Before making Investments, the General Partner will typically conduct such due diligence as it deems 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, environmental and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties will be involved in the due diligence process to varying degrees depending on the facts and circumstances of the particular Investment. Such involvement of third-party advisors or consultants may present a number of risks primarily relating to the General Partner's reduced control of the functions that are outsourced. In addition, if the General Partner is unable to timely engage third-party providers, its ability to evaluate and acquire more complex targets could be adversely affected. When conducting due diligence and making an assessment regarding an Investment, the General Partner will rely on the resources available to it, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that the 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, no such investigation will guarantee that an Investment will be successful or ensure a return of invested capital.

There can be no assurance that the Fund will be able to detect or prevent irregular accounting, employee misconduct or other fraudulent practices during the due diligence phase or during its efforts to monitor the Investment on an ongoing basis. In the event of fraud by any Portfolio Company or any of its affiliates, the Fund may suffer a partial or total loss of capital invested in that Portfolio Company. Conduct occurring at Portfolio Companies, even activities that occurred prior to the Fund's investment therein, could have an adverse impact on the Fund. For example, the European Commission has held that private funds may be liable for the anticompetitive activities of a portfolio company if such funds exercised "decisive influence" over the portfolio company. This precedent illustrates the risk that even if private equity funds are only involved in the high-level strategy and commercial policy of their portfolio companies, it does not exclude them from liability in the context of aggressive courts or regulators. An additional concern is the possibility of material misrepresentation or omission on the part of the Portfolio Company or the seller. Such inaccuracy or incompleteness may adversely affect the value of the Fund's investment in such Portfolio Company. The Fund will rely upon the accuracy and completeness of



representations made by Portfolio Companies and their former owners in the due diligence process to the extent reasonable when it makes its Investments but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to the Fund may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

### ***Change in Legal Requirements.***

The Fund must comply with various legal requirements, including those imposed by securities laws, tax laws and pension laws. Should any of such laws change over the scheduled term of the Fund, the legal requirements to which the Fund and the Partners may be subject could differ materially from the current requirements and adversely affect the Partners.

### ***Currency Risks.***

The functional currency of the Fund is U.S. dollars. Limited Partners should be aware that all amounts drawn down and any allocations and distributions to them will be distributed in U.S. dollars and that if their reference currency is another currency, their investment in the Fund may be adversely affected by any reduction in the value of the U.S. dollar relative to their reference currency. They may also incur the further transaction costs of converting U.S. dollars into their reference currency or another currency. Limited Partners are strongly encouraged to consult their financial advisers with a view to determining whether they should enter into hedging transactions to offset such risks.

Limited Partners should also be aware that the Fund may be investing directly or indirectly in Investments that are denominated in currencies other than the U.S. dollar. Consequently, a change in the value of such other currency against the U.S. dollar would result in a corresponding change in the value of the Investment. Changes in the exchange rate between such currencies and the U.S. dollar could have an adverse effect on the Fund.

### ***Expedited Timing.***

Investment analyses and decisions by the General Partner and the Manager may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the General partner and the Manager at the time of making an investment decision may be limited, and the General Partner and the Manager may not have complete information regarding the Investments. Therefore, no assurance can be given that the General Partner or the Manager will have knowledge of all circumstances that may adversely affect an Investment.

### ***Reliance on Portfolio Company Management.***

The General Partner will monitor the performance of companies in which the Fund makes Investments, generally through participation on, or interaction with, the board of directors (or equivalent body) of the company and by maintaining an ongoing dialogue with the company's management team. However, each Portfolio Company's management team will be primarily responsible for the operations of the company on a day-to-day basis. Although it is the intent of the Fund to invest in Portfolio Companies with strong operating management, there can be no assurance that the existing management team, or any new one, will be able to operate a Portfolio Company successfully. Additionally, Portfolio Companies may need to attract, retain and develop

executives and members of their management teams. The market for executive talent can be extremely competitive. There can be no assurance that Portfolio Companies will be able to attract, develop, integrate and retain suitable members of their respective management teams, and the Fund may be adversely affected as a result.

### ***Follow-On Investments.***

Following its initial investment in a given Portfolio Company, the Fund may decide to provide additional funds to such Investment or may have the opportunity to increase its investment in such Portfolio Company. There is no assurance that the Fund will make follow-on investments or that the Fund will have sufficient funds to make (or will be permitted to make under the Fund's investment restrictions) all or any of such investments. Any decision by the Fund not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a Portfolio Company in need of such additional capital, may result in a lost opportunity for the Fund to increase its participation in a successful investment, may result in the Fund's Investments in the relevant Portfolio Company becoming diluted and, particularly in circumstances where the follow-on investment is offered at a discount to market value, may result in a loss of value for the Fund.

### ***Platform and Roll-Up Investments.***

The Fund may recruit a management team to pursue a new "platform" or "roll-up" opportunity expected to lead to the formation of a future investment. In other cases, the Fund may form a new investment and recruit a management team to build the investment through the sourcing and completion of acquisitions, as well as organic growth. In both cases the Fund will bear the expenses of the management team or the investment, as the case may be, including any overhead expenses, employee compensation, diligence expenses or other related expenses in connection with backing the management team or building out the platform investment. Such expenses may be borne directly by the Fund as Fund Expenses (or broken deal expenses, if applicable) or indirectly as the Fund bears the start-up and ongoing expenses of the newly formed platform investment. In certain cases the services provided by a management team may overlap with the services provided by the Manager to the Fund. The compensation of management of a platform investment may include interests in the profits of the investment, including profits realized in connection with the disposition of an asset. Although a platform investment may be controlled by the Fund, members of a management team will not be treated as affiliates of the General Partner for purposes of the Partnership Agreement. Accordingly, none of the expenses described above will offset the Management Fee.

### ***Contingent Liabilities.***

In connection with the disposition of an Investment, the Fund may be required to make representations typical of those made in connection with the sale of any such asset, which may include representations in relation to the business and financial affairs of such Investment. The Fund may also be required to indemnify the purchasers of such an Investment to the extent that any such representation turns out to be inaccurate or with respect to other matters. These arrangements may result in contingent liabilities, which, if not satisfied out of the Fund's assets, may ultimately be required to be funded by the Partners making contributions to the Fund or returning previous distributions received from the Fund. The General Partner may establish such

reserves for unknown or contingent liabilities (even if not required by U.S. GAAP) as it deems appropriate, in its sole discretion.

### ***Impact of Pending and Future Litigation.***

From time to time, the Fund may be directly involved in a number of legal proceedings, lawsuits and other claims. The Fund may also be named as defendants in lawsuits allegedly arising out of its actions or the actions of its Portfolio Companies in which such Portfolio Companies have agreed to indemnify, defend and hold the Fund harmless from and against various claims, litigation and liabilities arising in connection with their respective businesses. An unfavorable resolution of pending or future litigation may have a material adverse effect on the Fund's business, results of operations and financial condition. Regardless of its outcome, litigation may result in substantial costs and expenses and significantly divert the attention of management. There can be no assurance that the Fund will be able to prevail in, or achieve a favorable settlement of, pending or future litigation.

### ***Risks Related to Non-U.S. Investments.***

It is expected that the Fund will invest a portion of its aggregate Commitments in Portfolio Companies based outside of the United States and in Portfolio Companies based in the United States that have material operations, subsidiaries, sales or other economic exposure outside of the United States. Investments in non-U.S. securities or instruments involve certain factors not typically associated with investing in wholly domestic companies, including risks relating to (a) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various non-U.S. currencies in which the Fund's non-U.S. Investments are denominated (which could result in changes to the values, in U.S. dollar terms, of the Fund's Investments), and costs associated with conversion of investment principal and income from one currency into another; (b) exposure to fluctuations in interest rates payable with respect to the instruments in which the Fund invests; (c) differences in conventions relating to documentation, settlement, corporate actions, stakeholder rights and other matters; (d) differences between the U.S. and non-U.S. securities markets, including potential price volatility in and relative illiquidity of some non-U.S. securities markets; (e) the absence of uniform accounting, auditing, and financial reporting standards, practices and disclosure requirements, and less government supervision and regulation; (f) certain economic, social and political risks, including potential exchange control regulations and restrictions on non-U.S. investment and repatriation of capital, the risks of war, terrorism and political, economic, or social instability, including the risk of sovereign defaults, civil unrest, regulatory change, expropriation, protectionist economic policies and confiscatory taxation, (g) the imposition of certain withholding or other taxes in the non-U.S. jurisdictions in which the Fund invests; (h) the possible imposition of non-U.S. taxes on income, gains and gross sales or other proceeds recognized with respect to such securities or instruments, including as a result of the loss of tax treaty benefits that were expected at the time of investment; (i) differing and potentially less developed or less tested corporate laws regarding stakeholder rights, creditors' rights (including the rights of secured parties), fiduciary duties and the protection of investors; (j) differences in the legal and regulatory environment, including potentially enhanced legal and regulatory compliance burdens; (k) political or public hostility to investments by foreign or private equity investors; and (l) less publicly available information.

Additionally, the Fund may be less influential than other market participants in jurisdictions where it or the Firm does not have a significant presence. The Fund may be subject to additional risks, which include possible adverse political and economic developments, possible seizure or

nationalization of foreign deposits and possible adoption of governmental restrictions, which might limit or preclude foreign investment above certain ownership levels or in certain sectors of the country's economy or adversely affect the payment of principal and interest to investors located outside the country of the issuer, whether from currency blockage or otherwise. Some countries require governmental approval for the repatriation of investment income, capital or the proceeds of sales by foreign investors and foreign currency. The Fund could be adversely affected by delays in, or a refusal to grant, any required governmental approval for repatriation of capital interests and dividends paid on securities held by the Fund. Furthermore, some of the securities in which the Fund may invest may be subject to brokerage taxes levied by governments, which would have the effect of increasing the cost of such Investment and reducing the realized gain or increasing the realized loss on such securities at the time of sale. The General Partner will be under no obligation to hedge currency or any other risks and does not expect that any such hedging will completely eliminate or mitigate any such risks. There can be no assurance that adverse developments with respect to non-U.S. Investments will not adversely affect the assets of the Fund that are held in such investments. Prospective investors should also note the considerations discussed in the appropriate Governing Documents regarding non-U.S. taxation.

#### ***Debt Investments in Portfolio Companies.***

The Fund may make debt or convertible debt investments in Portfolio Companies. Such debt may be unsecured and structurally or contractually subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured. Moreover, such debt investments may not be protected by financial covenants or limitations upon additional indebtedness and there is no minimum credit rating for such debt investments. Other factors may materially and adversely affect the market price and yield of such debt investments, including, without limitation, investor demand, changes in the financial condition of Portfolio Companies, government fiscal policy and domestic or worldwide economic conditions.

#### ***Investment in Distressed Portfolio Companies.***

The Fund may make Investments in instruments or restructurings that involve companies that are experiencing or may experience severe financial difficulties. These financial difficulties may never be overcome and may cause such companies to become subject to bankruptcy or other insolvency proceedings. Such Investments could, in certain circumstances, subject the Fund to certain additional potential liabilities, which may exceed the value of the Fund's original investments therein. For example, under certain circumstances, a lender who has inappropriately exercised control of the management and policies of a debtor may have its claims subordinated, or disallowed, or may be found liable for damage suffered by parties as a result of such actions. In addition, under circumstances involving a company's insolvency, payments to the Fund and distributions by the Fund to the Limited Partners may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, a preferential payment, or similar transaction under applicable bankruptcy and insolvency laws. Furthermore, Investments in restructurings may be adversely affected by local statutes relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise potential claims.

#### ***Risk of Publicly Traded Securities.***

The Fund has the ability to invest in publicly traded securities, and the Fund's investment portfolio may also include securities issued by formerly privately held Portfolio Companies that have

consummated initial public offerings. Such holdings are subject to the risks present in investing in publicly traded securities, including the risk of loss from counterparty defaults and the risks arising from the volatility of the global fixed income and equity markets. In addition, public companies may be subject to public reporting requirements that could have a significant impact on the valuation of their shares on any given trading day.

### ***Securities Laws Restrictions on Trading.***

A member, officer, employee or other representative of the General Partner or the Manager or other affiliate of the Fund may serve as a director of a Portfolio Company. As a result, the Fund (through its representatives or otherwise) may receive or be deemed to receive information that would restrict its ability to cause the Fund to buy or sell securities of a company for substantial periods of time when profit could otherwise be realized or loss avoided, which may adversely affect the Fund's ability to buy, sell or distribute securities. In addition, the ability of the Fund to execute trades in securities of these companies may also be restricted by securities laws, including but not limited to Section 16 of the Exchange Act (as defined below) and Rule 144 promulgated under the Securities Act (as defined below) as a result of the board participation or extent of ownership of the Fund and its affiliated persons.

### ***Broken Deal Expenses.***

The Fund's Investments may require extensive activities prior to acquisition, and the related expenses may be quite substantial. Such expenses may include, without limitation, travel, meal, accommodation and entertainment expenses, due diligence expenses (such as expenses related to feasibility, technical and marketing studies), legal expenses and bid preparation and submission expenses. One hundred percent (100%) of such broken-deal expenses will be borne by the Fund, even if the applicable prospective investment is not consummated, including amounts that would otherwise have been borne directly or indirectly by potential co-investors were such investment consummated.

### ***Unforeseen Events Risk.***

Investments may be subject to catastrophic events and other force majeure events such as fires, earthquakes, tsunamis, adverse weather conditions, product recalls, data breaches, changes in law, eminent domain, riots, terrorist attacks, epidemics, pandemics, civil and social unrest and similar risks. These events could result in the partial or total loss of one or more Investments or significant down time, resulting in lost revenues, among other potentially detrimental effects. The General Partner may seek to obtain insurance coverage for one or more such events, but the General Partner will have no obligation to do so, and there can be no assurance that any such coverage will be available on what the General Partner deems to be reasonable terms. As a result, any losses resulting from any such force majeure or other catastrophic events may not be covered by insurance, and the Limited Partners will indirectly bear the expense of any insurance obtained.

## **Risks Related to the Fund and its Management**

### ***Past Performance Not Indicative of Future Results.***

The Fund, the General Partner and the Manager are newly formed entities and therefore have no operating history on which prospective investors may base an evaluation of likely performance.

To the extent that the members of the 18 Somerset team are responsible for past investment results, those results are in any event past results and not indicative of the Fund's potential performance.

***Targeted Rate of Return.***

The Fund will acquire Investments based on its estimates or projections of overall rates of return on such Investments, which in turn are based upon, among other considerations, assumptions regarding the performance of assets, the amount and terms of available financing to obtain desired leverage and the manner and timing of dispositions, including possible asset recovery and remediation strategies, all of which are subject to significant uncertainty. In addition, events or conditions that the Fund has not anticipated may occur and may have a significant effect on the actual rate of return received on an Investment.

***No Right to Control the Fund's Operations.***

All decisions with respect to the management (including investment activities) of the Fund will be made exclusively by the General Partner and the Manager. Limited Partners will not make decisions with respect to the identification, acquisition, management, disposition or other realization of any investment, the day-to-day operations of the Fund or any other decisions regarding the Fund's business and affairs, except under the limited circumstances set forth in the Partnership Agreement. The General Partner and the Manager will generally have sole discretion in structuring, negotiating, purchasing, financing, managing and divesting investments on behalf of the Fund. In order to safeguard their limited liability for the liabilities and obligations of the Fund, the Limited Partners must rely solely on the ability of the General Partner and the Manager with respect to the Fund's operations, and no person should purchase Interests unless such person is willing to entrust all aspects of the management of the Fund to the General Partner and the Manager.

***Dependence on Key Personnel.***

The Fund will be largely dependent upon the expertise, skill and judgment of the employees of the Manager and the members of the Investment Committee for the selection of suitable investments. These individuals are important to the Fund's success because they attract business and investment opportunities and assist the Fund in negotiations. The loss of any or all of these individuals could have a material adverse effect on the business of the Fund. The employees of the Manager and the members of the Investment Committee are not under contractual obligation to remain with the General Partner or the Manager for all or any portion of the term of the Fund. Although they intend to commit an appropriate amount of their business efforts to the Fund, the employees of the Manager and the members of the Investment Committee are not required to devote all of their time to the Fund's affairs. In addition, the employees of the Manager and the members of the Investment Committee may in the future manage newly created partnerships.

***Effect of Substantial Losses on Operations of the General Partner and the Manager.***

If, due to extraordinary market conditions or other reasons, the Fund or its affiliates were to incur substantial losses, the revenues of the Manager and its affiliates may decline substantially. Such losses may hamper the Firm's and its affiliates' ability to (a) retain employees and (b) provide the same level of service to the Fund as it has in the past.

### ***Control Person Liability.***

The General Partner typically may designate directors to serve on the boards of directors (or equivalent body) of Portfolio Companies. Because of its equity ownership, representation on the board of directors or contractual rights, the Fund may often be considered to control, participate in the management of or influence the conduct of Portfolio Companies. The exercise of control over a company may subject the Fund to the risk of liability for environmental damage, product defects, pension and other labor matters, failure to supervise management, violation of laws and governmental regulations (including securities laws) and other types of liability, for which the limited liability generally afforded to investors may be ignored. These measures also could result in certain liabilities in the event of the bankruptcy, insolvency or reorganization of a Portfolio Company, including the potential obligation for the Fund to return to the Portfolio Company (or to creditors whose interests have been injured) a distribution made during the Portfolio Company's insolvency. If these liabilities were to arise, the Fund may suffer a significant loss, exposing the assets of the Fund to claims by a Portfolio Company, its other security holders, its creditors or governmental agencies, which may exceed the value of the Fund's initial investment in that Portfolio Company.

### ***Asset Valuations.***

Most of the securities that will be owned by the Fund, although not yet identified, are not expected to be actively traded on the public markets. Valuations are subject to multiple levels of review and approval, and all Investments are fairly valued in accordance with the valuation policy of the Manager. However, the process of valuing securities for which reliable market quotations are not available – even if performed by a qualified third party – is based on inherent uncertainties. The resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities may ultimately be sold. Further, third-party pricing information for publicly traded or registered securities may at times not be available regarding certain of the Fund's assets. Valuations of Investments will be determined by the General Partner and generally will be final and conclusive. When estimating fair value, the General Partner may, in its discretion, cause the Fund to retain an independent valuation firm to apply methodologies based on best practices in the valuation industry that are appropriate in light of the nature, facts and circumstances of each of the Investments. There can be no assurances that any projected results will be obtained, and actual results may vary significantly from the valuations. General economic, political, regulatory and market conditions and the actual operations of the Portfolio Companies, which are not predictable, can have a material impact on the reliability and accuracy of such valuations.

### ***Risks Associated with Investments Longer than Term.***

The Fund may make Investments that cannot be advantageously disposed of prior to the end of the term of the Fund. Although the General Partner expects that most Investments will be disposed of prior to the end of the term of the Fund, the Fund may need to sell, distribute or otherwise dispose of Investments at a disadvantageous time during the winding-up period. In addition, although during the winding-up period of the Fund the General Partner (or the relevant liquidator) will attempt to reduce to cash and cash equivalents such assets of the Fund as the General Partner or such liquidator will deem it advisable to sell, subject to obtaining fair value for such assets and any tax or other legal considerations, there can be no assurances with respect to the time frame in which the winding-up and the final distribution of proceeds to the Limited Partners will occur.

### ***Possibility of Fraud or Other Misconduct of Employees and Service Providers.***

Misconduct by employees of the General Partner, the Manager, service providers to the foregoing or their respective affiliates could cause significant losses to the Fund. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by the Fund, the improper use or disclosure of confidential or material nonpublic information, which could result in litigation or serious financial harm, including limiting the Fund's business prospects or future marketing activities, and noncompliance with applicable laws or regulations and the concealing of any of the foregoing. Such activities may result in reputational damage, litigation, business disruption or financial losses to the Fund. The Manager has controls and procedures through which it seeks to minimize the risk of such misconduct occurring. However, no assurances can be given that the General Partner or the Manager will be able to identify or prevent such misconduct.

### ***Liability of Limited Partners.***

Under the Delaware Revised Uniform Limited Partnership Act, a Limited Partner generally will not incur personal liability for the liabilities and obligations of the Fund in excess of the Limited Partner's unfulfilled obligation to make capital contributions; provided, that each Limited Partner that receives a distribution will, under certain circumstances, remain liable to the Fund or its creditors for the amount of such distribution. Furthermore, under the terms of the Partnership Agreement, a Limited Partner may be required, in order to allow the Fund to satisfy its indemnity obligations, to return to the Fund certain amounts distributed to such Limited Partner by the Fund.

### ***Limitation on Liability of the General Partner and the Manager.***

The Partnership Agreement provides that none of the General Partner, the Manager or any of their officers, directors, employees or agents have any liability to the Fund or the Limited Partners as a result of its or their performance of services under the Partnership Agreement, but have liability only for acts constituting fraud; willful misconduct; gross negligence; reckless disregard of duties; or a material and knowing violation of applicable U.S. securities laws or a criminal conviction, in either case with respect to the investment or other activities of the Fund.

### ***Projections.***

The Fund may rely upon projections developed by the General Partner, the Manager or the management of an entity in which the Fund invests concerning the investment's future performance and cash flow. Projections are inherently subject to uncertainty and factors beyond the control of the General Partner and the Manager. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of other unforeseen events could impair the ability of an entity in which the Fund invests to realize projected values and cash flow.

### ***Restrictions on Transfer and Withdrawal.***

Purchase of the Interests should be considered a long-term investment. The Interests have not been registered under the Securities Act or any other applicable securities laws. The Limited Partners may not sell, transfer or pledge their Interests except with the consent of the General Partner, which may be withheld in its sole discretion. The Interests will not be redeemable, and voluntary withdrawals of the Limited Partners will not be permitted, except when necessary to



comply with particular laws, statutes and regulations, or for other limited exceptions set forth in the Partnership Agreement. No public market for the Interests exists and none is expected to develop. Consequently, the Limited Partners may be unable to liquidate their Interests before the end of the Fund's term.

### ***Capital Calls.***

Capital calls will be issued by the General Partner from time to time in the sole discretion of the General Partner, based upon the General Partner's assessment of the needs and opportunities of the Fund. To satisfy such capital calls, Limited Partners may need to maintain cash or other assets that can be readily converted to cash equal to all or a substantial portion of their Commitments. Except as specifically set forth in the Partnership Agreement or under applicable law, each Limited Partner's obligation to satisfy capital calls will be unconditional and not subject to offset. A Limited Partner's obligation to satisfy capital calls will not in any manner be contingent upon the performance or prospects of the Fund or upon any assessment thereof provided by the General Partner. Capital calls may not provide all of the information a Limited Partner desires in a particular circumstance, and such information may not be made available and will not be a condition precedent for a Limited Partner to meet its funding obligation. Additionally, and notwithstanding the foregoing, the General Partner will not be obligated to call 100% of a Limited Partner's Commitment. The fees, costs and expenses incurred by a Limited Partner in fulfilling a capital call (e.g., bank fees, wire fees, value-added tax or other applicable charges imposed on a Limited Partner as well as internal and external administrative costs) will be borne solely by such Limited Partner and will be in addition to the amounts required by capital calls (and will not be part of or otherwise reduce their Commitments or Unfunded Commitments, as applicable). The failure of any Limited Partner to contribute any portion of its Commitment on a timely basis may adversely affect the Fund's access to capital and, among other things, the ability of the Fund to structure or consummate investments. The General Partner may, in addition to other actions, call additional capital contributions from other Limited Partners in order to cover any such shortfall.

### ***Indemnification; Return of Distributions.***

The Fund will be required to indemnify and advance expenses to, among others, the General Partner, the Manager and each of their respective employees, officers, agents, advisors and affiliates for liabilities incurred in connection with the Fund's activities, except under certain circumstances. Members of the Limited Partner Advisory Committee may also be entitled to the benefit of certain indemnification provisions as set forth in the Partnership Agreement. Such liabilities may be material and may have an adverse effect on the returns to the Limited Partners. For example, in their capacity as directors of Portfolio Companies, the members, managers or affiliates of the General Partner may be subject to derivative or other similar claims brought by shareholders of such companies. The indemnification obligation of the Fund would be payable from the assets of the Fund, including the unfunded Commitments of the Limited Partners. The General Partner may also recall certain distributions previously made to the Limited Partners to fund indemnification expenses and other obligations and liabilities of the Fund, and the Limited Partners' obligation to return such distributions will extend beyond the term of the Fund. In addition, a Limited Partner may be liable under applicable law to return to the Fund (or to creditors whose interests have been injured) a distribution made during the Fund's insolvency.

In addition, because the General Partner may cause the Fund to advance the costs and expenses of an indemnitee pending outcome of the particular matter (including determination as to whether or not the person was entitled to indemnification or engaged in conduct that negated such person's

entitlement to indemnification), there may be periods where the Fund is advancing expenses to an individual or entity with whom the Fund is not aligned or is otherwise an adverse party in a dispute. Moreover, in its capacity as general partner of the Fund, the General Partner may, notwithstanding any actual or perceived conflict of interest, be the beneficiary of any decision by it to provide indemnification (including advancement of expenses). This may be the case even with respect to settlement of actions where any indemnitee was alleged to have engaged in conduct that disqualifies any such person from indemnification of exculpation so long as the General Partner has determined that such disqualifying conduct did not occur.

### ***Systems and Operational Risks.***

The Fund will depend on the General Partner and the Manager to develop and implement appropriate systems for the Fund's activities. Certain of the Fund's, the General Partner's, and the Firm's activities will be dependent upon systems operated by third parties, and the General Partner and the Firm may not be in a position to adequately verify the risks or reliability of such third-party systems. Disruption to third-party critical service providers, such as the Fund's auditors, administrator, external counsel and custodian, may result in other disruptions in the Fund's operations, which may cause the Fund to suffer, among other things, financial loss, business disruption, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing failures or disruptions could have a material adverse effect on the Fund and the Limited Partners.

### ***Involuntary Sale of Interest.***

Pursuant to the Partnership Agreement, the General Partner may, upon written request, cause a Limited Partner to sell its Interest if the General Partner determines, in consultation with counsel, that the continued participation of such Limited Partner in the Fund would have a material adverse effect on the General Partner, the Fund, any Portfolio Company or any of their respective affiliates. A Limited Partner that is required to withdraw from the Fund may not realize certain economic benefits that such Limited Partner would have realized if it was not required to withdraw from the Fund.

### ***Fees and Expenses.***

The Fund will pay and bear all expenses related to its operations, including the Management Fee and the costs of holding, monitoring, maintaining and disposing of investments whether or not the Fund makes any profits. While it is difficult to predict the future expenses of the Fund, such expenses may be substantial and may surpass the Fund's operating income. The amount of these Fund Expenses will reduce the actual returns realized by Limited Partners on their investment in the Fund (and may, in certain circumstances, reduce the amount of capital available to be deployed by the Fund for investments). Fund Expenses include recurring and regular items, as well as extraordinary expenses for which it may be hard to budget or forecast. As a result, the amount of the Fund Expenses ultimately called or called at any one time may exceed expectations.

### ***Distributions in Kind.***

It is possible that under certain circumstances the General Partner may make distributions of securities for which there is no readily available public market and/or which may be subject to substantial restrictions on sale or transfer. It may be difficult for Limited Partners to liquidate the securities received at a price or within a time period that is determined thereby to be ideal. After

a distribution of securities is made, the recipients may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such Limited Partners may be lower than the value of such securities determined pursuant to the Partnership Agreement, including the value used to determine the amount of carried interest accruing to the General Partner with respect to such investment.

### ***Failure to Make Capital Contributions.***

If a Limited Partner fails to pay when due installments of its Commitment to the Fund, and the contributions made by non-defaulting Limited Partners and borrowings by the Fund are inadequate to cover the defaulted capital contribution, the Fund may be unable to pay its obligations when due. As a result, the Fund may be subjected to significant penalties that could materially adversely affect the returns to the Limited Partners (including non-defaulting Limited Partners). If a Limited Partner defaults, it may be subject to various remedies as provided in the Partnership Agreement, including, without limitation, reductions in its capital account balance.

### ***Side Letters.***

The General Partner may from time to time enter into Side Letters with one or more Limited Partners with respect to the Fund without the approval or vote of any other Limited Partner, that would have the effect of establishing additional rights under, or altering or supplementing the terms of, the Partnership Agreement or any Subscription Agreement with respect to such Limited Partner in a manner more favorable to such Limited Partner than those applicable to other Limited Partners, including (but not limited to) with respect to (a) excuse, exclusion or withdrawal rights applicable to particular investments or Limited Partners (which may increase the percentage interest of other Limited Partners in, and contribution obligations of other Limited Partners with respect to, certain investments), (b) economic terms or co-investments, (c) reporting obligations of the Fund, (d) reporting obligations of the General Partner, (e) waiver of certain confidentiality obligations, (f) consent of the General Partner to certain transfers by such Limited Partner, (g) rights or terms necessary in light of particular legal, regulatory or public policy characteristics of such Limited Partner (h) withdrawal rights due to adverse regulatory events, (i) consent rights to certain Partnership Agreement amendments or (j) waiver by the General Partner of all or a portion of the Carried Interest and/or the Management Fee assessed in respect of a Partner, which waiver will not be electable by other Partners pursuant to any most-favored nations process. Any rights established, or any terms of the Partnership Agreement or any Subscription Agreement altered or supplemented in a Side Letter with a Limited Partner, will govern solely with respect to such Limited Partner notwithstanding any other provision of the Partnership Agreement or any Subscription Agreement and, for the avoidance of doubt, matters arising under any Side Letter are considered matters contemplated in the Partnership Agreement and the limitation on liability provisions therein will apply equally to any Side Letter. The other Limited Partners will have no recourse against the Fund, the General Partner or any of its affiliates in the event that certain Limited Partners receive additional or different rights or terms as a result of such Side Letters. Except as otherwise agreed to with a Limited Partner, the General Partner is not required to disclose the terms of Side Letters with other Limited Partners. The General Partner will not be, to the fullest extent permitted by applicable law, under any obligation to give the Limited Partners notice of any side letters between the General Partner and other Limited Partners, except with respect to most-favored-nations provision side letter election process that will take place following the final Subsequent Closing.

It can be expected that the Firm in the future may enter into agreements with investors involving an investor's overall relationship with the Firm, including one or more strategies or vehicles in addition to the Fund with terms and conditions applicable to such investor that would not apply to a Limited Partner's investment in the Fund (which may include, for the avoidance of doubt, participation in another investment vehicle managed by the Firm and/or a co-investment program or other similar customized investment strategy for the benefit of such Limited Partner through one or more vehicles, holding companies or other entities established or managed by the Firm or such investor). Limited Partners will not receive a copy of the agreement memorializing such an investment program (even if in the form of a side letter) and will be unable to elect any rights or benefits granted to such investor. Specific examples of such additional rights and benefits include specialized reporting, discounts on and/or other arrangements relating to management fees and/or carried interest applied to some or all of the relevant investment programs and/or investment vehicles (including, as applicable, the Fund), secondment of personnel from the investor to the Firm (or vice versa), as well as, targeted amounts for co-investments alongside the Fund or any other investment vehicles managed by the Firm (including, without limitation, preferential allocation thereof and the terms and conditions related to such participation (including any carried interest and/or management fees to be charged with respect thereto)), which may include investments made by the Fund. To the extent any such arrangements are entered into, they may result in fewer co-investment opportunities (or reduced allocations) being made available to Limited Partners.

It is also expected that the General Partner or the Manager will from time to time confirm factual matters to incoming Limited Partners, make statements of intent or expectation to such Limited Partners or acknowledge statements by such incoming Limited Partners that relate to the Fund and/or the Firm's activities pertaining thereto in one or more respects. In addition, the Firm may from time to time agree to certain matters as part of an overall firm relationship (whether or not as part of an overall relationship agreement described above). Additionally, it is expected that Limited Partners who designate representatives to participate on the Limited Partner Advisory Committee may, by virtue of such participation, have more information about the Fund and investments in certain circumstances than other Limited Partners generally and may be provided information in advance of communication to other Limited Partners generally. Any such statements, confirmations, agreements or acknowledgements will not involve the granting of any legal right or benefit, and therefore will not be subject to the "most-favored-nations" process or election by the Limited Partners, and Limited Partners generally will as a result not typically receive notice thereof or copies of the documentation (if any) in which they are contained. There can be no assurance that any such arrangements will not have an adverse effect on the Fund or that such arrangements will not influence the Firm's activities or the operation of the Fund.

#### ***Amendment.***

The General Partner may seek to obtain the approval of the Limited Partners by way of a "negative consent" right under the Partnership Agreement. To the extent the General Partner seeks to obtain the approval of the Limited Partners by way of any such "negative consent," subject to the terms and conditions of the Partnership Agreement, the failure of a Limited Partner to respond to a notice seeking a consent to an amendment of the Partnership Agreement (and any required follow-up notices) will be deemed to be such Limited Partner's consent with respect thereto. As a result, the failure of a Limited Partner to respond will be counted as an affirmative consent by such Limited Partner despite the fact that such Limited Partner may have otherwise desired not to vote in favor of such amendment had it submitted a timely response with respect to such notice.

### ***Placement Agents.***

Although the General Partner has not appointed any placement agents, it is possible that one or more parties may be appointed in the future as placement agents (each, a “***Placement Agent***”, and together, the “***Placement Agents***”) for the Interests and, in that capacity, act for the General Partner and in such capacity would not act as investment advisers to potential investors in connection with the offering of the Interests. Potential investors must independently evaluate the offering and make their own investment decisions. The General Partner will generally pay each Placement Agent a placement fee based upon the amount of the Interests acquired by investors that each such Placement Agent introduces to the General Partner. Potential investors should also note that at various times, the Placement Agents can be expected to act as placement agents for other fund sponsors and funds, including unaffiliated fund sponsors and funds, which may offer interests that are similar to the Interests and/or otherwise compete with the Fund for investments. Those unaffiliated sponsors may pay placement fees on terms different from the fees that the Placement Agents will receive from the General Partner in connection with this offering, and this difference in fees may influence the Placement Agents to introduce or not introduce potential investors to the General Partner. Furthermore, certain Placement Agents may seek to do business with and earn fees or commissions from other investment funds and their portfolio companies.

### ***Dilution from Subsequent Closings.***

Limited Partners that are admitted or increase their Commitment at or prior to the final Subsequent Closing will participate in any existing Investments, diluting the interest of existing Limited Partners therein. Although such Limited Partners will generally contribute their pro rata share of previously made capital contributions (plus an additional amount thereon), this contribution may not reflect the fair value of the Fund’s existing Investments at the time such additional Limited Partners subscribe for Interests.

### ***Early Termination of the Fund or the Commitment Period.***

It is possible that the Commitment Period may be terminated prematurely or the Fund may be terminated and dissolved prematurely, and as a result, the Fund may not be able to accomplish its objectives and may be required to dispose of its Investments at a disadvantageous time or make an in-kind distribution (resulting in Limited Partners not having their capital invested or deployed in the manner originally contemplated).

### ***Capital Calls and Use of Subscription Lines.***

The General Partner will generally call capital from Limited Partners on an as-needed basis. For administrative convenience, the General Partner may, from time to time, make larger, less frequent capital calls, with the Fund’s interim capital needs being satisfied by the Fund borrowing money under one or more credit facilities. In particular, it is expected that capital needs of the Fund during the fundraising period may be met through drawdowns from such credit facilities rather than capital calls. The interest expense and other costs of any such borrowings will be an expense and, accordingly, decrease net returns of the Fund, while the use of any such borrowings may also have the effect of materially enhancing the net internal rate of return for the Fund. In addition, the making of larger, less frequent capital calls may amplify the magnitude of potential defaults by Limited Partners as a result of there being fewer but larger capital calls, with borrowings under such credit facilities being secured against the unfunded commitments of Partners and potentially other assets of the Fund in the event of a default by the Fund under such credit facilities. To the

extent amounts outstanding under any such credit facility are due upon demand by a lender, such a demand may be issued at an inopportune time at which liquidity is generally constrained, potentially resulting in greater defaults as a result of liquidity constraints on Limited Partners and Limited Partners facing similar capital calls in multiple funds and being unable to satisfy all such demands simultaneously. The existence of a credit facility may impair a Limited Partner's ability to transfer its Interest in the Fund as a result of restrictions imposed on such transfers by the lender. Alternatively, to the extent that the Fund is unable to obtain a subscription line or an asset-backed credit facility, determines that the terms of such facility would not be appropriate for the Fund or otherwise determines not to use such facility or access to such facility otherwise becomes unavailable, the General Partner may determine in its sole discretion to draw down Commitments in advance and hold them in reserve in order to make Investments, to satisfy fees and expenses, and to satisfy other capital needs that may arise in the future.

### ***Excuse and Exclusion.***

Pursuant to the Partnership Agreement, the General Partner may, in certain circumstances, permit a Limited Partner to be excused from participating in an Investment. The General Partner may also exclude a Limited Partner from participating in any Investment in certain circumstances set forth in the Partnership Agreement, including if the General Partner determines that the participation of such Limited Partner could prevent the Fund from being able to consummate such Investment or have a material adverse effect on the Fund. Such excuses and exclusions may affect diversification, including by causing investors to have increased exposure to certain Investments and sectors relative to the Fund as a whole. Investors may experience differing returns as a result.

### ***Transfer by General Partner and Affiliates.***

To the extent the General Partner, its members and/or their respective affiliates commit to make a direct or indirect investment in or alongside the Fund, a participation in, or a portion of, such investment may thereafter be transferred to others, subject to any express limitations thereon in the Partnership Agreement.

### ***Liability of the Fund and the Partners.***

The total liability of a Limited Partner is generally limited to the amount of its Commitment, except (a) for certain circumstances in which such Limited Partner was involved in the management or otherwise engaged in the business of the Fund or externally represented the Fund and (b) Any Partner's Commitment is susceptible to risk of loss as a result of any liability of the Fund irrespective of whether such liability is attributable to an Investment to which such Partner contributed any capital.

### ***Recourse to the Fund's Assets.***

The Fund's assets, including any Investments and any cash held by the Fund, are available to satisfy all liabilities and other obligations of the Fund. If the Fund becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to the Fund's assets generally and not be limited to any particular asset. Accordingly, a Limited Partner could find its Interest adversely affected by a liability arising out of a single Investment, even if the Limited Partner did not participate in such Investment because, for example, such Limited Partner was excused from such Investment.

### ***Electronic Delivery of Certain Documents.***

Notices, communications and other information from the Manager, the General Partner, or the Fund will generally be provided to Limited Partners by electronic delivery (including email, fax or posting on the Fund's web-based data site or other Internet service). The General Partner cannot provide any assurance that these communication methods are secure and will not be responsible for any computer viruses, problems or malfunctions resulting from any computer viruses or related problems that may be associated with the use of an Internet-based system.

### ***Forward-Looking Statements; Opinions.***

Statements contained in this Memorandum that are not historical facts are based on current expectations, estimates, projections, opinions or beliefs of the General Partner. Such statements involve known and unknown risks, uncertainties and other factors, and undue reliance should not be placed thereon. Moreover, certain information contained in this Memorandum constitutes "forward-looking" statements, which can be identified by the use of forward-looking terminology such as "may," "will," "seek," "should," "expect," "anticipate," "project," "estimate," "intend," "continue" or "believe" or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, including those set forth herein, actual events or results or the actual performance of the Fund may differ materially from those reflected or contemplated in such forward-looking statements.

### ***Recycling of Capital.***

18 Somerset has the right to recall (or "recycle") certain distributed amounts, including in respect of returned fees and expenses and returned capital, in accordance with the Funds' Governing Documents. Accordingly, during the term of a Fund, an investor may be required to make capital contributions in excess of its commitment. Any such reinvestment would limit early distributions to investors, and to the extent such recalled or retained amounts are reinvested, an investor will remain subject to the investment and other risks associated with such investments. As a result, reinvestment could increase the risk of investing in a Fund. Additional investments resulting from recycling have the potential to increase investment returns to investors (and reduce the effective burden of management fees assessed on the basis of commitments) to the extent such investments are profitable. However, there can be no assurance that any such investment will have a positive return.

### ***Broken Deal Expenses.***

Co-investors in one or more specific investments will not necessarily be required to share in the Broken-Deal Expenses, either with respect to a co-investment opportunity that is not consummated or with respect to other potential investments that may be offered to the Funds. This includes co-investors with whom 18 Somerset has pre-existing relationships, as well as co-investors that have participated in other completed transactions. Such co-investors participate in and benefit from the general sourcing of transactions by the Fund and the Adviser. However to the extent that an investment sought by the Funds includes co-investors that have committed to underwrite the investment, such investors will bear their pro rata share of the expenses and in return will have a priority in the co-investment waterfall that supersedes any other arrangement described in the applicable Fund Governing Documents.

## **Regulatory Risks**

### ***Litigation and Financial Loss.***

The transactional nature of the business of the Fund exposes the Fund, the General Partner, the Manager and the Firm generally to this risk of third-party litigation. The Fund will generally be responsible for indemnifying the General Partner, the Manager and related parties for costs they may incur with respect to such litigation. Additional regulation could also increase the risks of third-party litigation.

### ***Changing Regulatory Environment.***

The regulatory environment for private investment funds is evolving, and changes in the regulation of private investment funds may adversely affect the value of Investments held by the Fund and the ability of the Fund to effectively employ its investment strategies. Increased scrutiny and potential legislation applicable to private investment funds and their sponsors may also impose significant administrative burdens on the Firm and may divert time and attention from portfolio management activities. In light of the changing global regulatory climate, the Fund may be required to register under certain foreign laws and regulations, and need to engage distributors or other agents in certain non-U.S. jurisdictions in order to market interests to prospective investors. The effect of any future regulatory change(s) on the Fund could be substantial and adverse. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The U.S. Securities and Exchange Commission (the “*SEC*”), other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action.

In addition to the risks regarding regulatory approvals, it should be noted that government counterparties or agencies may have rights and remedies under applicable law in addition to any contractual rights they may have. A Portfolio Company or project also could be materially and adversely affected as a result of statutory or regulatory changes or judicial or administrative interpretations of existing laws and regulations that impose more comprehensive or stringent requirements on such company. Governments have considerable discretion in implementing regulations, including, for example, the possible imposition of, or increase in taxes on income earned by a Portfolio Company or gains recognized by the Fund on its investment in such Portfolio Company, that could impact a Portfolio Company’s business as well as the Fund’s return on investment with respect to such Portfolio Company.

### ***Disclosure of Information and FOIA.***

Certain Limited Partners will be subject to governmental public records or similar freedom of information laws, which may compel public disclosure of confidential information regarding the Fund, its investments, and its investors. There can be no assurance that such information will not be disclosed either publicly or to regulators, law enforcement agencies, or otherwise, including for purposes of complying with regulations or policies to which the Fund, the General Partner, their affiliates, Portfolio Companies, or service providers to any of them may be or become subject. The public disclosure of confidential information could materially harm the business and operations of Portfolio Companies and could materially and negatively impact the General Partner’s ability to find and make investments for the Fund, either of which could have a negative



impact on the Fund's returns. To the extent that the General Partner determines in good faith that, as a result of the U.S. Freedom of Information Act or any similar statutory or regulatory requirement of any U.S. state or other jurisdiction, a Limited Partner or any of its affiliates may be required to disclose information relating to the Fund, its affiliates, and/or any entity in which an investment is made, the General Partner may, in order to prevent any such potential disclosure, withhold all or any part of the information otherwise to be provided to such Limited Partner as provided in the Partnership Agreement. In addition, potential future regulatory changes could result in the Manager, the General Partner and their respective affiliates and/or the Fund becoming subject to additional disclosure requirements the specific nature of which is as yet uncertain.

### ***Regulation and Enforcement.***

The growth of the private equity industry, and the increasing size and reach of transactions, has prompted additional governmental and public attention to the industry and its practices. Portfolio Companies will be subject to the antitrust and competition rules that apply in those countries or regions in which they do business. Failure to comply with those rules could expose the infringing company to sanctions or penalties including fines and civil damage actions. In some situations, private equity sponsors could be held jointly and severally liable for any sanctions or penalties imposed on a current or previously owned portfolio company for breach of the applicable antitrust rules. In recent years, there have been governmental investigations and lawsuits over whether certain club deals or consortium bids constituted an illegal attempt to collude and drive down the prices of acquisitions. Consortium bids are deals in which two or more unaffiliated entities either provide equity financing or divide the target business being acquired. These transactions can range in size from the large private equity club deals in which the target remains intact to much smaller deals in which a target is broken up and sold to multiple strategic buyers. Private equity firms that engage in potentially anti-competitive practices in an otherwise permissible and lawful club deal could be liable for monetary damages to former shareholders of target companies and be subject to U.S. Department of Justice investigation and civil and criminal prosecution resulting in fines. There can be no assurance that the Fund will not be subject to third-party litigation and/or investigations involving consortium bids.

In addition, numerous regulatory initiatives have been launched and significant legislation has been enacted as a result of the severe global market volatility and dislocations, financial institution failures and defaults and large financial frauds that occurred during the global financial crisis. U.S. regulators, including the Federal Reserve, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation have also recently warned banks against leveraged lending that load companies with large amounts of debt. Regulation generally, as well as regulation more specifically addressed to the private equity industry, including tax laws and regulations, whether in the United States or outside of it, could further increase the cost of acquiring, holding or divesting Investments and the cost of operating the Fund, as well as harm the profitability of enterprises and interfere with the ability of the Fund to engage in certain transactions. In particular, the introduction of significant restrictions on the marketing of alternative investment funds in Europe has significantly increased the cost and complexity of fundraising for private equity funds. Any regulatory action related to these or other regulations applicable to private fund managers could adversely affect the Fund.

### ***Risk Arising from Potential Control Group Liability.***

Under ERISA, upon the termination of a tax-qualified single employer defined benefit pension plan, the sponsoring employer and all members of its "controlled group" will be jointly and

severally liable for 100% of the plan's unfunded benefit liabilities, whether or not the controlled group members have ever maintained or participated in the plan. In addition, the Pension Benefit Guaranty Corporation (the "**PBGC**") may assert a lien with respect to such liability against any member of the controlled group on up to 30% of the collective net worth of all members of the controlled group. Similarly, in the event a participating employer partially or completely withdraws from a multiemployer (union) defined benefit pension plan, any withdrawal liability incurred under ERISA will represent a joint and several liability of the withdrawing employer and each member of its controlled group. A "controlled group" generally includes all "trades or businesses" under 80% or greater common ownership. Based on case law developments, related investment funds may be subject to aggregation as "partnerships in fact" for purposes of the 80% test. However, regardless of the percentage ownership that the Fund holds in one or more of its Portfolio Companies, the Fund itself cannot be considered part of an ERISA controlled group unless the Fund is considered to be a "trade or business."

If the Fund were determined to be a trade or business for purposes of ERISA, it is possible that any tax-qualified single employer defined benefit pension plan termination liabilities and/or multiemployer plan withdrawal liabilities incurred by the Portfolio Company could result in liability being incurred by the Fund, with a resulting need for additional capital contributions, the appropriation of Fund assets to satisfy such pension liabilities and/or the imposition of a lien by the PBGC on certain Fund assets. Moreover, regardless of whether or not the Fund were determined to be a trade or business for purposes of ERISA, a court might hold that one of the Fund's Portfolio Companies could become jointly and severally liable for another Portfolio Company's unfunded pension liabilities pursuant to the ERISA "controlled group" rules, depending upon the relevant investment structures and ownership interests as noted above.

#### ***OFAC, FCPA and Similar Considerations.***

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

In some countries, there is a greater acceptance than in the United States of government involvement in commercial activities and of corruption. The Firm, the Firm's professionals and the Fund are committed to complying with the U.S. Foreign Corrupt Practices Act of 1977, as amended ("**FCPA**"), the United Kingdom Bribery Act 2010 (the "**Bribery Act**"), the United Nations Convention Against Corruption (the "**Convention**") and other anti-corruption laws, anti-

bribery laws and regulations, as well as anti-boycott regulations, to which they are subject. As a result, the Fund may be adversely affected because of its unwillingness to participate in transactions that violate such laws or regulations. Such laws and regulations may make it difficult in certain circumstances for the Fund to act successfully on investment opportunities and for Investments to obtain or retain business.

In recent years, the U.S. Department of Justice and the SEC have devoted greater resources to enforcement of the FCPA. In addition, the United Kingdom has significantly expanded the reach of its anti-bribery laws through the enactment of the Bribery Act. While the Firm has developed and implemented policies and procedures designed to ensure compliance by the Fund and its personnel with the FCPA, the Bribery Act and the Convention, such policies and procedures may not be effective in all instances to prevent violations. In addition, in spite of the Fund's policies and procedures, affiliates of Portfolio Companies, particularly in cases where the Fund does not control such Portfolio Company, may engage in activities that could result in FCPA, Bribery Act or Convention violations. Any determination that the Fund has violated the FCPA, the Bribery Act or other applicable anti-corruption laws or anti-bribery laws could subject the Fund to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect the Fund's business prospects and/or financial position, as well as the Fund's ability to achieve its investment objective and/or conduct its operations.

#### ***Absence of Regulatory Oversight.***

The Fund is not registered as an investment company under the Investment Company Act of 1940, as amended (the “***Investment Company Act***”), and, accordingly, the protections of the Investment Company Act are not applicable to the Limited Partners.

#### ***Financial Services Regulation.***

Financial services companies operate in a highly regulated environment and are subject to extensive legal and regulatory restrictions and limitations and to supervision, examination and enforcement by regulatory authorities. Failure to comply with any of these laws, rules or regulations, some of which are subject to interpretation and may be subject to change, could result in a variety of adverse consequences, including civil penalties, fines and suspension or expulsion, which may have material adverse effects. In addition, companies that control a regulated financial services company may themselves become subject to regulation, with “control” thresholds existing as low as 10% share ownership. In order to comply with such financial services laws, rules and regulations, the Fund may be required to invest in a manner that may not be as advantageous as the manner of making investments that are not subject to such laws, rules and regulations.

#### **Tax Risks**

##### ***Generally.***

The tax (including, without limitation, U.S. federal income tax) consequences arising from an investment in the Fund are highly complex and may vary significantly depending on each Limited Partner's specific circumstances and the Parallel Investment Vehicle into which a Limited Partner invests. In particular, all prospective investors subject to U.S. federal income tax should be aware that they will be taxed annually on the Fund's income and realized gains, if any, whether or not they receive any cash distributions from the Fund. The Fund's Investments are expected to

generate a mix of ordinary income, capital gains, and dividends, and may give rise to deductions or losses the use of which is subject to complex limitations, and incremental U.S. federal, state, local, or non-U.S. tax filings. Consequently, investors should plan to satisfy any tax obligations arising from their investment in the Funds from sources other than distributions from the Funds.

### ***Phantom Income.***

Certain investments by the Fund may require the Limited Partners to recognize taxable income in respect of their investment in the Fund the taxes on which exceed the cash distributions from the Fund. In addition, the Fund is permitted, under certain circumstances, to reinvest, rather than distribute, proceeds from certain dispositions of investments. As a result, Limited Partners may be required to fund tax liabilities with respect to an interest in the Fund with cash from sources unrelated to an investment in the Fund.

### ***Tax-Exempt Limited Partners.***

Tax-exempt Limited Partners in the Fund are generally subject to tax on their “unrelated business taxable income” (“*UBTI*”). Some or all of the Fund’s income may be treated as UBTI.

While the General Partner expects to utilize structures intended to minimize the amount of income or gain that would result in the recognition of UBTI by tax-exempt Limited Partners, the General Partner may be required to make certain decisions in order to maximize pre-tax returns to all Limited Partners that result in tax-exempt Limited Partners recognizing more UBTI than might otherwise be the case.

### ***Non-U.S. Limited Partners.***

Non-U.S. Limited Partners are generally required to pay regular U.S. federal income tax at graduated rates on their income that is, or is treated as, “effectively connected” with a U.S. trade or business (“*ECI*”). In addition, non-U.S. Limited Partners that are treated as corporations for U.S. federal income tax purposes may be subject to an additional branch profits tax at a 30% rate (or such lower rate as may be specified under an applicable income tax treaty) on such ECI. Further, non-U.S. Limited Partners that earn such ECI are required to file U.S. income tax returns.

### ***Changes in Tax Law.***

Each prospective investor should be aware that tax laws and regulations (and interpretations thereof) are changing on an ongoing basis, and any such change may subject the Fund and/or the Limited Partners to adverse consequences, potentially on a retroactive basis, including as to both tax and tax reporting obligations. Changes in tax laws could diminish the value of an investment in the Fund or the value or the resale potential of the Fund’s Investments. The General Partner does not provide tax advice to prospective Limited Partners, and the General Partner recommends that each prospective Limited Partner consult with its tax advisor with respect to the impact of any relevant legislation on its investment in the Fund and the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in the Fund.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or investor's evaluation of the adviser or the integrity of the adviser's management. Neither the Firm nor any of its members, partners, officers or employees (the "Employees"), have been involved in any legal or disciplinary events in the past 10 years that would require disclosure in response to this Item.

There are no pending legal, regulatory or industry proceedings against the Firm or any of its professionals.

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

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

### **Potential Conflicts of Interest**

For a more detailed disclosure of the potential conflicts of interest associated with investing in one of the Fund, prospective Investors should refer to the respective Governing Documents. The discussion below enumerates certain actual and potential conflicts of interest. The General Partner and its affiliates will attempt to resolve any conflicts of interest in good faith and in accordance with the Partnership Agreement, but there can be no assurance that conflicts of interest or actions taken by General Partner or its affiliates in attempting to resolve such conflicts of interest will not have an adverse effect on the Fund or the Limited Partners. Pursuant to the Partnership Agreement, the General Partner will in certain situations be required to seek the approval of the Limited Partner Advisory Committee or of the Limited Partners in respect of conflicts of interest, and may also choose to seek such approval in respect of certain other conflict situations.

### ***Other Funds.***

The Firm may in the future organize and manage one or more entities with objectives similar to or different from those of the Fund. It is possible that a particular opportunity would be suitable for the Fund and one or more such other investment vehicles. In addition, the Firm has the ability to allocate a portion of any such investment opportunity to one or more other co-investors. As a result, the Firm may face a conflict of interest with respect to the allocation of such opportunity among the Fund and such other funds and co-investors. The Fund will allocate such opportunities in accordance with its policies and the applicable provisions of the relevant Governing Documents, but there can be no assurance that any such conflict will be resolved in favor of the Fund or otherwise to the satisfaction of the Limited Partners.

### ***Allocation of Investment Opportunities.***

Until the Threshold Date, each of the General Partner, the Manager, the Key Person and their respective affiliates will first be required to allocate all investment opportunities introduced to, or

sourced by, any such party that are consistent with the investment objectives of the Fund to the Fund; provided, that foregoing restriction will not apply to (a) any investment originated prior to the date of the Initial Closing, (b) any follow-on and other investment related to investments held by them as of the Initial Closing, (c) any investment previously determined by the General Partner to be inappropriate for the Fund, (d) any investment under \$5,000,000, (e) any passive investment, if such investment is not made in Investments, (f) any investment required to be presented to affiliates or any other investment fund permitted to be organized by General Partner, the Manager, the Key Person or any of their respective affiliates under the Partnership Agreement, (g) any co-investment vehicle, (h) investment presented to employees of the Manager or its affiliates in their capacity as directors of public or private companies and in similar circumstances where pre-existing fiduciary duties apply, and (i) any investment required to be presented to any other investment fund permitted to be organized by the General Partner, the Manager, the Key Person or any of their respective affiliates under the Partnership Agreement. As a result, the Firm may face a conflict of interest with respect to the allocation of investment opportunities among the Fund and other funds and investors. The Fund will allocate such opportunities in accordance with its policies as in effect from time to time and the applicable provisions of the relevant governing agreements, but there can be no assurance that any such conflict will be resolved in favor of the Fund or otherwise to the satisfaction of the Limited Partners; provided, further, that a Successor Fund may co-invest with the Fund in any investment opportunity suitable for both the Fund and such Successor Fund and the General Partner may allocate such portion of such investment opportunity to such Successor Fund as the General Partner believes to be fair and reasonable.

#### ***Time and Attention.***

The Firm and any additional investment vehicles sponsored by the Firm are likely to require the Firm's investment professionals to devote substantial amounts of their time to matters unrelated to the business of the Fund, which may give rise to conflicts in the allocation of management resources, and the Fund will have no interest in any such other activities. The Firm's personnel will work on other projects, including other Firm clients and the Firm's other existing and potential business activities. In addition, the Firm's personnel will participate in the management of the investment activities of other Firm clients concurrently with their obligations to the Fund. It is possible that the investments held by such Firm clients may be in competition with those of the Fund. None of the Limited Partners will have an interest in investments made by such other Firm clients solely by reason of their investment in the Fund. In addition, any advisors or consultants retained by the Firm will not be exclusive and may devote substantial amounts of their time to matters unrelated to the business of the Firm or the Fund.

#### ***Fiduciary Duties.***

The General Partner owes fiduciary duties to the Fund and the Limited Partners for purposes of applicable Delaware law and may modify such fiduciary duties as set forth in the Partnership Agreement, but only to the extent permitted to be modified under applicable Delaware law or the Investment Advisers Act of 1940, as amended. Notwithstanding the foregoing, nothing contained in the Partnership Agreement eliminates or modifies the implied contractual covenant of good faith and fair dealing, and when using its discretion pursuant to the Partnership Agreement, the General Partner will consider the interests of the Limited Partners as a whole and not put its own interests ahead of the interests of the Limited Partners and the Fund.

### ***Third-Party Involvement.***

The Fund may invest in Portfolio Companies alongside other institutional investors, including Limited Partners and, on occasion, private equity funds sponsored by other managers. Such Investments may involve risks not present in investments in which such other investors are not involved, including the risk that another such investor may at any time have economic or business interests or goals that are inconsistent with those of the Fund or be in a position to take action contrary to the investment objectives of the Fund, or may not have capital available for follow-on investments.

### ***Potential Conflicts in Calculation and Allocation of Certain Partnership Costs and Expenses.***

The Partnership Agreement provides that the Fund will be responsible for all costs and expenses in connection with its operation, other than the costs and expenses that will be the responsibility of the General Partner, the Manager or other third parties. A conflict of interest could arise in the Manager's determination of whether certain costs or expenses that are incurred in connection with the operation of the Fund meet the definition of Fund Expenses for which the Fund is responsible, or whether such expenses should be borne by the General Partner or the Manager. The Fund will be reliant on the determinations of the Manager and the General Partner in this regard, and also in regard to the allocation of investment expenses and any common operating expenses as among the Fund and any other affiliates of the Firm.

### ***Co-Investment Opportunities.***

The Fund may invest in Portfolio Companies alongside other institutional investors and strategic investors, including Limited Partners and, on occasion, private equity funds sponsored by other managers. Such co-investments may involve risks not present in investments in which such other investors are not involved, including the risk that another such investor may at any time have economic or business interests or goals that are inconsistent with those of the Fund or be in a position to take action contrary to the investment objectives of the Fund, or may not have capital available for follow-on investments.

The General Partner expects to offer co-investment opportunities in accordance with the terms of the Partnership Agreement with respect to Investments from time to time and will allocate such opportunities among interested parties in accordance with the Fund's co-investment policy, as amended from time to time, including, for example, on the basis of the size of a Limited Partner's commitments to the Fund as well as a broad range of other considerations including commercial and strategic considerations for the applicable Investment, a Limited Partner's stated desire to participate in co-investments, the General Partner's determination of the appropriateness of offering a co-investment opportunity, an investor's ability to execute such offer and the approval of transaction counterparties.

There can be no assurances with respect to the amount of any co-investment opportunity that will be made available to a Limited Partner in connection with the Fund, and nothing in this Memorandum constitutes a guarantee, prediction or projection of the availability to a Limited Partner of future co-investment opportunities. Investing in the Fund does not entitle any Limited Partner to allocations of co-investment opportunities and such opportunities may, and typically will, be offered to some and not to other Limited Partners or to third parties that are not investors

in the Fund. Further, the Fund may make an Investment with the intention of bridging a portion of such Investment for co-investors. In the event that the Fund is unable to sell the full amount that it intended to bridge, the Fund may be less diversified than the General Partner intended.

### ***Affiliate Fees.***

The Manager and its affiliates or employees are expected to receive transaction fees (including setup, acquisition and commitment fees), fees earned in connection with transactions that are not completed (breakup fees), closing fees, exit fees, advisory fees, monitoring fees, consulting fees, management fees, directors' fees or other similar fees related to the Fund's ownership interests in Portfolio Companies (collectively, "Transaction Fees"), all of which may give rise to certain conflicts of interest.

To the extent that the amount of any Transaction Fees exceeds certain unreimbursed expenses, including unreimbursed unconsummated transaction expenses, 100% of the allocable portion of such excess Transaction Fees will be applied to reduce the Management Fee on a dollar-for-dollar basis. If the aggregate amount of excess Transaction Fees applied against the Management Fee during a fiscal year exceeds the Management Fee for such fiscal year, the excess will be carried forward to reduce the Management Fee payable in the following fiscal year or years. If upon dissolution of the Fund, any excess Transaction Fees remains, the Manager will return to the Fund for the benefit of the Partners an amount equal to such unapplied excess amount; provided that any Limited Partner may waive its right to receive its pro rata portion of such amount, which will result in a benefit to the Manager to the extent that any such excess Transaction Fees remains upon dissolution of the Fund.

Moreover, the portion of any Transaction Fees allocable to co-investors, if any are charged, will not offset the Management Fee, and as a result the Manager may face a conflict of interest with regard to the allocation of investment opportunities among co-investors and the Fund.

### ***Limited Partner Advisory Committee Approvals.***

Under the Partnership Agreement, certain transactions that involve conflicts of interest between the General Partner and its affiliates, on the one hand, and the Fund, on the other, are required to be, or may be permitted to be, submitted to the Limited Partner Advisory Committee for resolution. In such situations, the approval of the Limited Partner Advisory Committee will be binding on the Fund; however, the Limited Partner Advisory Committee will not necessarily represent the interests of all the Limited Partners, and the members of the Limited Partner Advisory Committee may themselves be subject to various conflicts of interest (including as investors in other entities related to the General Partner and its affiliates). The Limited Partners will not be entitled to control the selection of members of the Limited Partner Advisory Committee.

### ***Transactions Between the Fund and Affiliates of the Firm.***

In certain circumstances, the General Partner may consider an investment by the Fund in a Portfolio Company in which an affiliate of the Firm holds an investment. Such transactions present conflicts of interest, including determinations of whether the transaction is contemplated at a price that is higher or lower than market value or on terms that are more favorable to the buyer or seller than the prevailing market terms. In accordance with the Partnership Agreement, the General Partner will seek the approval of the Limited Partner Advisory Committee in connection with each



such transaction, and the approval of the Limited Partner Advisory Committee will be binding on each Limited Partner.

### ***Carried Interest; Valuation of Fund Assets.***

The General Partner's Carried Interest may create an incentive for the General Partner to make more speculative investments for the Fund than it would otherwise make in the absence of such performance-based distributions. In addition, the method of calculating the carried interest may result in conflicts of interest between the General Partner, on the one hand, and the Limited Partners, on the other hand, with respect to the management and disposition of Investments, including the timing and sequence of such dispositions. In calculating carried interest and making corresponding distributions, the General Partner is required to value the Fund's Investments to determine whether there are any write-downs of unrealized Investments and to make certain other determinations, and irrespective of the Fund's use of third-party valuation experts from time to time, a conflict of interest could arise in the calculation of any such valuations or in making any such determinations. If the valuations conducted by the General Partner are incorrect, the amount and the timing of payment of carried interest could be incorrect.

The Fund must hold certain types of Investments for more than three years in order for the Carried Interest in respect of such Investments to be taxed at current long-term capital gains rates even though an individual Limited Partner generally would be entitled to be taxed at current long-term capital gains rates in respect of such Investments as long as the Fund held each investment for more than one year. This difference in holding periods may create an incentive for the General Partner or its affiliates to cause the Fund to hold an Investment longer than it otherwise would and defer or delay dispositions of Investments until achieving the three-year holding period.

U.S. and non-U.S. laws have been changing, and may continue to change, the tax treatment of "carried interest" in ways that may be adverse to partners in the General Partner. Under the Partnership Agreement, the General Partner has certain rights to amend the Partnership Agreement to mitigate such adverse consequences. Furthermore, the General Partner and the Manager may take these potential adverse consequences into account in their management and operation of the Fund. In addressing these adverse consequences, the interests of the General Partner and the Manager, on the one hand, may diverge from the interests of the Limited Partners, on the other hand.

### ***Inside Information.***

From time to time, the Firm or its affiliates may come into possession of material, non-public information concerning an entity in which the Fund has invested, or proposes to invest, or may be subject to restrictions imposed by a Portfolio Company on "insiders," and the possession of such information or the existence of such restrictions may limit the ability of the General Partner, as an affiliate of the Firm, to buy or sell securities of such entity on behalf of the Fund.

### ***Indemnification.***

To the extent the General Partner or one of its affiliates, personnel or related persons seeks indemnification or advancement of expenses as described under "Indemnification; Return of Distributions" above, the General Partner will face a conflict of interest in any decision by it, in its capacity as general partner of the Fund, to provide such indemnification and/or advancement of expenses to such person.

### ***Conflicts Involving Portfolio Companies.***

Officers and employees of the General Partner and/or the Manager will serve as directors of certain Portfolio Companies and, in that capacity, will be required to make decisions that they consider to be in the best interests of the Portfolio Company. In certain circumstances (for example in situations involving bankruptcy or near insolvency of the Portfolio Company), actions that may be in the best interests of the Portfolio Company may not be in the best interests of the Fund, and vice versa. Accordingly, in these situations, there may be conflicts of interests between such individual's duties as an officer or employee of the General Partner and/or the Manager and such individual's duties as a director of the Portfolio Company.

In addition, certain Portfolio Companies may offer discounted goods or services to Firm personnel and other associates of the Firm such as executives of other Portfolio Companies and service providers. Such discounts are generally similar to those provided to management or employees of the Portfolio Companies, and such discounts generally will not be made available to Limited Partners.

### ***Service Providers.***

Certain service providers or their affiliates may charge different rates or have different arrangements for services provided to the General Partner, the Firm or their affiliates (other than the Fund) as compared to services provided to the Fund or its Portfolio Companies, which may result in more favorable rates or arrangements than those payable by the Fund or such Portfolio Companies. Any such more favorable rates or arrangements would create an incentive for the General Partner to favor such service providers over their competitors when selecting service providers on behalf of the Fund.

### ***Diverse Limited Partners.***

The Limited Partners may include both taxable and tax-exempt entities, as well as persons or entities that are organized in various jurisdictions and that otherwise may have conflicting investment, tax or other interests. As a result, conflicts of interest may arise in connection with, among other things, the nature of Investments made by the Fund, the structuring or acquisition of Investments and the timing of dispositions of Investments. Decisions made by the General Partner with respect to the foregoing may be more beneficial for one type of Limited Partner than for another type of Limited Partner. In selecting investments appropriate for the Fund and structuring such investments, the General Partner will consider the investment, tax or other objectives of the Fund as a whole, not the investment, tax or other objectives of any Limited Partner individually.

### ***Recycling; Reinvestment.***

Investment Proceeds realized by the Fund may either be retained by the Fund or distributed to the Partners subject to recall by the Fund for reinvestment or other proper Fund purposes; provided that the total amount invested by the Fund in Investments (other than Bridged Investments or temporary investments) over the life of the Fund may not exceed 125% of total Commitments. As a result of such recycling and reinvestment, which would also increase the base upon which the Management Fee to be paid to the Manager after the expiration or termination of the Commitment

Period is calculated, the General Partner may be incentivized to deploy a greater amount of capital than originally anticipated.

### ***Parallel Investment Vehicles.***

The use of Parallel Investment Vehicles (or other entities) also may create a conflict of interest in that different tax considerations for the different partnerships (or other entities) may cause the General Partner to structure or dispose of an Investment in a manner that is not equally advantageous to all of the Parallel Investment Vehicles (or other entities) and the Partners therein.

### ***Investment by the Sponsor.***

The General Partner, the Manager, their respective affiliates and persons associated with or employed by the Manager and its affiliates and their estate-planning or other personal investment vehicles will make an aggregate commitment to the Fund on terms that are not available to its other investors generally. There can be no assurance that such individuals will remain employed by the Manager in the same capacity (or in any capacity) throughout the life of the Fund notwithstanding that such commitments and/or invested amounts may remain part of the “sponsor commitment” to the Fund. In addition, the Manager may negotiate for and retain certain carried interest or other incentive fees from co-investors in entities in which the Fund invests or invests alongside (with no reduction or offset to Management Fees).

### ***Alternative Investment Vehicles.***

Based on legal, tax, regulatory and other considerations, in connection with particular Investments, the General Partner may create one or more Alternative Investment Vehicles. The terms of any Alternative Investment Vehicles may vary from the terms of the Fund, based in part on the structure of the relevant transactions, legal requirements, and tax, regulatory or other considerations, as reasonably determined by the General Partner. Regardless of the terms of an Alternative Investment Vehicle, it is possible that the applicable tax or regulatory authorities will not respect the separate identity of the Alternative Investment Vehicle (apart from that of the Fund), in which case, the proposed benefits associated with establishing an Alternative Investment Vehicle may not be realized. It is possible that, to obtain the tax and/or regulatory benefits of an Alternative Investment Vehicle, the economics of an Alternative Investment Vehicle and the Fund may not be fully integrated. In addition, Limited Partners will bear the incremental costs (including taxes) of any Alternative Investment Vehicle to which they contribute capital.

### ***Different Classes of Securities.***

Conflicts will arise once the Fund has made an Investment in a Portfolio Company in which the Manager’s other clients have invested, particularly where such investments are in different types of securities. If a Portfolio Company in which the Fund or the Manager’s other clients have invested becomes troubled, decisions relating to actions to be taken will raise conflicts of interest between holders of different types of securities as to what actions the Portfolio Company should take. Questions may arise as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring will raise conflicts of interest. For example, a holder of mezzanine securities may be better served by a liquidation of the issuer in which it would be paid in full, whereas an

equity holder might prefer a reorganization that could increase the chance of creating value for the equity holders. The Manager will be authorized to resolve such conflicts on case-by-case basis in its good faith discretion, taking into account the interests of the Fund and such other clients, but the Manager will not always be in a position to take action to resolve any such conflict, and there can be no assurance that any such conflict will be resolved in favor of the Fund. The involvement of such persons at both the equity and debt levels could inhibit strategic information exchanges among fellow creditors. In certain circumstances, the Fund may be prohibited from exercising voting or other rights, and may be subject to claims by other creditors with respect to the subordination of their interests. In addition, a conflict will arise in allocating an investment opportunity if the potential investment could be made by either the Fund or another client of Manager. Investments by more than one client of the Manager in a Portfolio Company also raises the risk of using assets of a client of the Manager to support positions taken by other clients of the Manager. There can be no assurance that the return of the Fund participating in a transaction would be equal to and not less than another client participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

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

The Firm has adopted a Code of Ethics (the “Code”) designed to comply with the requirements of Rule 204A-1 of the Investment Adviser’s Act of 1940 (the “Adviser’s Act”).

The Code applies to all Firm employees, and sets forth a standard of business conduct that takes into account the Firm’s status as a fiduciary and requires employees to place the interests of Funds and investors above their own interests. The Code requires employees to comply with applicable federal securities laws. Further, employees are required to promptly bring violations of the Code to the attention of the Firm’s Chief Compliance Officer. All employees are provided with a copy of the Code and are required to acknowledge receipt of the Code of Ethics on at least an annual basis.

Among other requirements, the Code sets forth certain reporting and pre-clearance requirements with respect to personal trading by employees. The Firm’s employees must provide a list of personal accounts and an initial holdings report upon hire and must provide annual holdings reports and quarterly transaction reports in accordance with Rule 204A-1.

The Code also addresses activities which may lead to or give the appearance of conflicts of interest or prohibited or unethical business conduct. This includes provisions relating to the protection of non-public information (for both investors and the Advisory Clients) and a prohibition on insider trading. It also includes limitations on outside affiliations, de minimis limits on reporting gifts and business entertainment items, the reporting of political contributions, and the cited limitations and supervision of personal securities transactions and holdings in reportable securities.

The Firm will provide a copy of the Code of Ethics to upon request. Please contact the Firm at the phone number or email on the cover page of this Brochure should you have any questions concerning the Code of Ethics or wish to obtain a copy.

The Firm serves as the investment adviser to the Fund. Employees (and their affiliates and/or relatives) may make investments in the Fund. The Firm generally does not receive compensation from such investments from such persons. Additionally, the Firm and certain of its employees have

a financial interest in the Funds through an incentive allocation or a direct investment interest in the Fund. As such, the Firm could be considered to have recommended to Investors that they buy or sell securities or investments in which the Firm or a related person has some financial interest. These investments are intended to align the interests of the Firm with those of the Fund and the Investors; therefore, the Firm does not believe that these arrangements present any material conflict of interest.

Subject to applicable regulatory restrictions, employees of the Firm may choose to personally invest, directly and/or indirectly, in the Fund. Such investors will be in possession of information relating to the Fund and the portfolio not available to other investors and prospective investors. As a result, as part of the Code, and other compliance policies and procedures of the Firm, employees will be subject to certain restrictions concerning these investments.

## **Item 12 – Brokerage Practices**

### **Best Execution**

The Firm will provide investment advice to the Fund primarily with regards to private equity related investments. As such, the Firm's transactions on behalf of the Fund are normally privately negotiated and may not involve the use of a broker or dealer for the execution of Fund transactions. In those cases, the Firm will seek to negotiate and execute transactions in an efficient manner and consistent with its fiduciary duties to the Fund. Due to the nature of the Firm's investment advice and relationship with the Fund, the Firm does not expect to recommend or select broker-dealers for transactions in the Fund. In rare cases where the Firm determines to utilize a broker or a dealer to transact on behalf of the Fund, the Firm shall evaluate such broker or dealer based on a range of factors, including without limitation commission price, willingness to commit capital, ability to execute the desired transaction and other factors. As a fiduciary, the Firm must execute securities transactions in such a manner that the Firm achieves "best execution" on behalf of the Fund. The determinative factor is whether the transaction represents the best qualitative execution for the account and not whether the lowest possible commission cost was obtained. Thus, the Firm will consider the full range and quality of a broker's service in selecting or recommending brokers to meet best execution obligations, including the ability to access or otherwise execute large transactions in the public market.

The Firm does not receive research or other products and services through soft dollar arrangements with brokers and dealers.

## **Item 13 – Review of Accounts**

The Fund's Portfolio Companies are continually monitored and reviewed by the Investment Committee. The Investment Committee will be responsible for, among other things, reviewing the Portfolio Companies in the context of the Funds' stated objectives and monitoring for portfolio and risk management.

More frequent reviews may be triggered by material changes in key variables that may affect the performance of investments, including, without limitation, changes in the financial markets, activity, and trends in the political or economic environment, as well as the specific circumstances affecting the Fund.

Audited financial statements are provided to investors in the Funds, within 120 days of the end of each Fund's fiscal year as required by Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). On a quarterly basis, Investors in the Fund also receive unaudited financial statements and written Fund-level performance reports, to the extent applicable. Fund investors should carefully review such reports.

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

18 Somerset may, from time to time, determine to engage a third party placement agent to introduce potential investors to the Funds. Depending on the specific arrangement, 18 Somerset may pay a placement fee, which may be calculated as a percentage of the commitment amount of certain investors. See "*Item 5 – Fees and Compensation*" for additional details.

#### **Item 15 – Custody**

The Firm and the affiliated General Partner of the Fund are deemed to have constructive custody of the Fund's assets by virtue of their status as general partner of the Fund. In compliance with Rule 206(4)-2 under the Advisers Act, the Firm or its affiliated General Partner will:

- (i) establish one or more custodial accounts with unaffiliated qualified custodians to hold Fund assets and
- (ii) reasonably believes that all investors in each Fund will be provided with audited financial statements for such Fund, prepared by an independent accounting firm that is registered with and subject to review by the Public Company Accounting Oversight Board, in accordance with U.S. Generally Accepted Accounting Principles, within 120 days of the end of the Fund's fiscal year-end.

#### **Item 16 – Investment Discretion**

The Firm has discretionary authority to manage investments on behalf of the Funds. As a general policy, the Firm does not allow clients to place limitations on this authority. Pursuant to the terms of the Governing Documents, however, the Firm and/or its affiliates, expect to enter, into Side Letters with certain Limited Partners whereby the terms applicable to such Limited Partner's investment in a Fund are altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. The Firm assumes this authority pursuant to the terms of the Governing Documents and powers of attorney executed by the Limited Partner of such Fund.

#### **Item 17 – Voting Client Securities**

In compliance with Rule 206(4)-6 under the Advisers Act, the Firm has adopted proxy voting policies and procedures ("Proxy Policy"). The Proxy Policy is to vote proxy proposals, amendments, consents or resolutions (collectively, "Proxies"), in a prudent and diligent manner that will serve the applicable Fund's best interest and is in line with such Fund's investment objectives. In limited circumstances, the Firm may refrain from voting Proxies where the Firm believes that voting would be inappropriate. The Firm's Proxy Policy includes guidelines for

voting against company proposals as well as guidance for situations where a proxy vote may present a conflict of interest to ensure that such conflict is resolved in the best interest of the Fund.

Clients or Investors may request the Firm's Proxy Policy or information regarding how the Firm voted proxies for particular portfolio companies may contact the CCO, Shane Swanson at (843) 200-3768.

#### **Item 18 – Financial Information**

The Firm does not require prepayment of fees more than six months in advance and is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its clients and has never been subject to any bankruptcy proceedings.