

INVESTMENT ADVISER BROCHURE  
FORM ADV PART 2A

**Comvest Credit Advisors, LLC**

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**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Comvest Credit Advisors, LLC (“Comvest Credit”). If you have any questions about the contents of this Brochure, please contact us at (561) 727-2000. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.**

Comvest Credit is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). However, such registration does not imply a certain level of skill or training.

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

### **Material Changes**

Comvest filed its most recent Form ADV Part 2 on January 1, 2023. This annual amendment updates the description of the business practices of Comvest and its affiliates.

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# Comvest Credit Advisors, LLC Brochure

## Section 1. Advisory Business

Comvest Credit, a registered investment adviser, is a Delaware limited liability company. Comvest Credit and its affiliated investment advisers provide “investment supervisory services” to their clients, which consist primarily of private investment funds (each a “**Fund**” and together with any future private investment fund, vehicle or account to which Comvest Credit or its affiliates provide investment advisory services, “**Private Investment Funds**”). Comvest Credit is controlled by its member, Comvest Group Holdings II LP, which is ultimately principally owned and controlled by Michael Falk and a subsidiary of Affiliated Managers Group, Inc. (“**AMG**”). See Section 7 (“Other Financial Industry Activities and Affiliations”) for more information on AMG.

The following are certain of the entities affiliated with Comvest Credit:

### *General Partners*

- Comvest VI Partners, L.P.
- Comvest SO Partners, L.P.
- Comvest Credit VI GP, L.P.
- Comvest Credit VI Partners GP, SARL
- Comvest Credit Partners Select Co-Invest GP, LLC

### *Management Companies*

- Comvest Equity Advisors, LLC
- Comvest Credit Advisors (Luxembourg), LLC

Each General Partner and Management Company is subject to the Advisers Act pursuant to Comvest Credit’s registration in accordance with SEC guidance. This Brochure also describes the business practices of each General Partner and Management Company, which operate as a single advisory business together with Comvest Credit. Comvest Credit, the General Partners (including any future general partner entities) and Management Companies are together referred to herein as the “**Managers**.” The General Partners and Management Companies have the authority to make the investment decisions for the Funds to which they provide advisory services. Comvest Equity Advisors, LLC provides the day-to-day advisory services for the Control Strategy Fund (as listed below) and Comvest Credit Advisors (Luxembourg), LLC provides the day-to-day advisory services for the Luxembourg Lending Strategy Funds (as listed below).

Comvest Credit is under common control with Comvest Advisors, LLC (“**Comvest**”), Commonwealth Credit Advisors, LLC (“**Commonwealth Credit**”) and Comvest Credit Managers, LLC (“**Comvest Credit Managers**”). Comvest is a separately registered investment adviser that, together with its relying advisers (Comvest Capital Advisors, LLC and Comvest SG Advisors LLC) and other advisory affiliates, provides investment advisory services to investment funds privately offered to qualified investors in the United States and elsewhere and to managed accounts. Commonwealth Credit is a separately registered investment adviser that, together with its advisory affiliates, provides investment advisory services to primarily one or more investment companies electing to be treated as

business development companies, CLO issuers, private investment funds and managed accounts. The Managers will operate as a single advisory business together with Comvest, Commonwealth Credit and Comvest Credit Managers and their respective related general partners, management companies and equivalent governing entities (collectively, the “**Firm**”).

The Managers’ Funds currently consist of the following:

*Control Strategy Funds*

- “**Comvest VI**,” consisting of Comvest Investment Partners VI, L.P. and Comvest Investment Partners VI-A, L.P.

*Lending Strategy Funds*

- “**CSO**,” consisting of Comvest Special Opportunities Fund, L.P.
- “**Comvest Credit Partners VI**,” consisting of Comvest Credit Partners VI, L.P., Comvest Credit Partners VI International (Cayman), L.P., Comvest Credit Partners VI International, L.P., Comvest Credit Partners VI (Luxembourg) Feeder Fund, SCSp SICAV RAIF, Comvest Credit Partners VI (Luxembourg) Intermediate Fund, SCSp SICAV RAIF, Comvest Credit Partners VI (Luxembourg) Master Fund, SCSp SICAV RAIF.
- “**Comvest Credit Partners Select Co-Invest**,” consisting of Comvest Credit Partners Select Co-Invest Fund V, L.P.

The Funds and any other Private Investment Funds are expected to invest through negotiated transactions in operating entities. The Managers’ investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments. Although investments are expected to be made predominantly in non-public companies, investments in public companies are expected to be permitted (any such non-public or public companies, “**portfolio companies**”). From time to time, the senior principals or other personnel of the Managers or their affiliates (the “**Principals**”) typically serve as designees of the applicable investing Funds, serve on a portfolio company’s board of directors or otherwise act in such capacity to influence control over management of portfolio companies in which a Control Strategy Fund has a significant equity position.

The Managers’ advisory services for the Private Investment Funds are further described in the applicable private placement memoranda or other offering document (each, a “**Memorandum**”) and limited partnership agreement, articles of association or operating agreement or other governing document (each, a “**Partnership Agreement**,” and together with the applicable Memorandum, the “**Governing Documents**”), as well as below under “Methods of Analysis, Investment Strategies and Risk of Loss” and “Investment Discretion.” Investors in Private Investment Funds will participate in the overall investment program for the applicable Fund, but in limited cases will be excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the relevant Governing Documents; such arrangements generally do not and will not create an adviser-client relationship between the Managers and any investor.

The relationship between the General Partner and each Fund’s limited partners or members, as applicable (collectively, “**Investors**”), will be governed by each Fund’s Partnership Agreement, the provisions of which are relatively detailed and are often the subject of extensive and detailed negotiations between the General Partner and individual limited partners. Information contained in this Brochure regarding the terms of any Partnership Agreement is a summary only and subject to the specific terms of the relevant Partnership

Agreement.

From time to time, and as permitted by the relevant Governing Documents, the Managers expect to provide (or agree to provide) co-investment opportunities (including the opportunity to participate in the Co-Invest Fund or other co-invest vehicles) to certain current or prospective investors in Private Investment Funds or other persons, including other sponsors, market participants, finders, consultants and other service providers, Comvest Credit's personnel and/or certain other persons associated with the Firm and/or its affiliates (e.g., the Co-Invest Fund or another vehicle formed by Comvest Credit's principals to co-invest alongside a particular Fund's transactions). Co-investment opportunities that are subject to a fee in some cases would not reduce the Management Fee or offset the Management Fee. Such co-investments will typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle (including a co-investing Fund) purchases a portion of an investment from one or more Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell-down or transfer), which generally will have been funded through Fund investor capital contributions and/or use of a Fund credit facility. Any such purchase from a Fund by a co-investor or co-invest vehicle generally occurs shortly after the Fund's completion of the investment to avoid any changes in valuation of the investment, but in certain instances could be well after the Fund's initial purchase. Where appropriate, and in the applicable Manager's sole discretion, such Manager reserves the right to charge interest on the purchase to the co-investor or co-invest vehicle (or otherwise equitably to adjust the purchase price under certain conditions), and to seek reimbursement to the relevant Fund for related costs. However, to the extent such amounts are not so charged or reimbursed, they generally will be borne by the relevant Fund. To the extent the Fund makes use of a credit facility to invest in a portfolio company or pay related expenses, it generally will not be reimbursed separately by co-investors for use of the facility.

As of December 31, 2022, Comvest Credit managed approximately \$3,013,355,733 in client assets on a discretionary basis.

## **Section 2. Fees and Compensation**

With respect to the Funds, Comvest Credit or a Management Company, as applicable, is entitled to receive a management fee (the "**Management Fee**") and the relevant General Partner is entitled to receive a performance-based carried interest or similar incentive fee, in connection with the provision of advisory services. The Managers or their affiliates expect to receive additional compensation in connection with management and other services performed for certain portfolio companies and such additional compensation likely will offset in whole or in part the Management Fees otherwise payable to the applicable Manager in accordance with the relevant Governing Documents. Investors in the Funds will also be expected to bear fund expenses. Investors should review the relevant Governing Documents to fully understand the total amount of fees and expenses to be paid by a Fund and, indirectly, by its Investors.

The Governing Documents generally provide that the Funds' Management Fees will be calculated and charged on a basis that generally is not tied to the Fund's then-current net asset value. During a Fund's investment period, the Management Fee is generally equal to a percentage of committed capital or, to the extent set forth in the applicable Partnership Agreement, invested capital. When a Fund's investment period ends, as described below, the Management Fee is generally reduced to a percentage of capital invested in remaining investments. The change in Management Fees at the end of a Fund's investment period is generally effective on the first payment date after the end of the "investment period," a term determined in accordance with the relevant Partnership Agreement and generally equal to the lesser of a set number of years or the launching of a

successor Fund. In some cases, the relevant Management Fee may be reduced such as where the term of a Fund is extended pursuant to the Partnership Agreement or where a particular subsequent Fund is formed. As a general matter, Management Fees will be payable during term extensions unless otherwise agreed with Investors.

With respect to the Control Strategy Funds and the Strategic Growth Fund, from the effective date of the relevant Fund until a date specified in the applicable Governing Documents (generally representing the earlier of the end of the Fund's defined investment period and the date the relevant General Partner (or an affiliate thereof) first begins receiving or accruing management fees from another Fund meeting certain criteria) (the "Stepdown Date"), Management Fees generally will be charged based on a formula tied to the amount of the relevant Fund's aggregate Commitments. Further, after the Stepdown Date, Management Fees generally will be charged and calculated based on a formula tied to the amount of investment contributions made by the relevant Fund that have not been realized or completely written off for U.S. federal income tax purposes (or as otherwise specified by the applicable Governing Documents). Lending Strategy Funds, by contrast, generally base Management Fees upon the sum of investment cost (inclusive of investments made using drawdowns on fund credit facilities) for investments that have not been disposed of or completely written off for tax purposes (including undrawn commitments for delayed draw and revolving loans) and guarantees made with respect to the obligations of portfolio companies.

For the avoidance of doubt, under the Governing Documents, where the fair market value of an investment exceeds the total amount of investment contributions relating to the portfolio company in which such investment was made, Management Fees will not be calculated based upon such appreciated value. However, in situations where the Management Fee is calculated based upon at least in part investment contributions (which is, generally speaking, at all times for Lending Strategy Funds and post-Stepdown Date for Control Strategy Funds and the Strategic Growth Fund), a disposition or complete writeoff of an investment will not affect calculation of the Management Fee to the extent that the fair market value of the remaining holdings in the applicable portfolio company following such event exceeds the total amount of investment contributions relating to such portfolio company, and if the fair market value of the remaining holdings in the applicable portfolio company following such event is less than the total amount of investment contributions relating to such portfolio company, the Management Fees will be calculated based on, at least in part, the fair market value of the remaining investments in the applicable portfolio company as of the date of the relevant transaction.

The amount of Management Fees generally will not correspond with fluctuations in the Fund's net asset value, and will not be reduced in connection with any write downs (whether temporary or permanent), except in the case of investments completely written off in the manner specified in the applicable Governing Documents. Except where the Governing Documents expressly provide to the contrary, Management Fees will not be reduced (in whole or in part) in the case of partial dispositions of investments or in circumstances where the relevant Fund(s) divest a credit investment in the relevant portfolio company, whether in whole or in part. Further, Management Fees generally will not be reimbursed or refunded under the Governing Documents in the event of realizations, dispositions or partial write-downs that occur partway through the relevant calculation period.

The Governing Documents set forth the full list of terms under which Management Fees will be reduced, offset or otherwise be limited, and consequently investors should expect to bear the full specified Management Fee rate in the Governing Documents until they are reduced in the circumstances and on the date(s) specified therein.

Typically, the Management Fee is reduced by directors' fees, consulting fees, closing fees, investment banking fees, monitoring fees and any transaction fees or certain other fees paid by portfolio companies to a Manager or its Principals and other personnel ("**Supplemental Fees**") to the extent such supplemental fees are attributable to the Fund's investment in a portfolio company, although in some cases such fees would not reduce the Management Fee or offset the Management Fee only with respect to a portion of the Supplemental Fees received and attributable to the Fund's investment. The remaining amount of such Supplemental Fees will be retained by the Managers without any offset to Management Fees. For example, the applicable Governing Documents in a Lending Strategy Fund may provide that syndication fees, administrative agent fees, collateral agent fees, documentation agent fees, loan servicing fees and any other fees received by a Manager or its affiliates in connection with the administration, arranging or servicing of a credit facility provided to a Portfolio Company will not constitute Supplemental Fees. The Managers generally have discretion over whether to charge such fees or other compensation to a portfolio company and, if so, the rate, timing, method and/or amount of such compensation, as well as to where to charge such amounts within a portfolio company's holding or operating structure. In most circumstances, such compensation is not reviewed or approved by an independent third party. In many cases, Supplemental Fees are based on enterprise value or other metrics relating to a portfolio company, and there can be no assurance that the amount of Supplemental Fees charged will be proportional to the amount of hours of work performed on behalf of the portfolio company. The receipt of such compensation is expected to give rise to potential conflicts of interest between the Funds, on the one hand, and the Managers on the other. In certain circumstances, such as those relating to short- or long-term portfolio company cash or liquidity needs, and regardless of whether the portfolio company is undergoing financial stress, Comvest Credit reserves the right to accrue, defer or forego payments of Supplemental Fees, and reserves the right to charge interest at then-available rates with respect to such amounts. In such cases, in accordance with the Governing Documents, investors will not receive the benefit of Management Fee offsets with respect to such amounts until they are actually received. Certain Partnership Agreements permit the relevant General Partner to waive or agree to reduce the Management Fee, and any waived or reduced portion of such Management Fee are treated by certain Partnership Agreements as a deemed capital contribution by the relevant General Partner, which is effectively invested in the relevant Fund on such General Partner's behalf, and operates to reduce the amount of capital contributions the General Partner would otherwise be required to contribute to the Fund and may accelerate (or delay) Investors' capital contributions. Any waived portion of a Management Fee installment may be treated as a deemed capital contribution by the General Partner in respect of the General Partner's Commitment, and the amount of such waived or reduced Management Fees has the potential to be significant.

The Managers are often paid Supplemental Fees from, on behalf of or with respect to co-investors in an investment, as well as other fees relating to the structuring and administration of co-investment arrangements. The receipt of such fees will not reduce the Management Fee payable by any Fund(s) that have also invested in such investment, and as a result a Fund will, in most cases, only benefit with respect to the relevant allocable portion of any such fee and not the portion of any fee that relates to such co-investors, or potential co-investors (which could include co-investment vehicles managed by the Managers, third parties, portfolio company management or employees and/or others), which have the potential to be significant. Unless otherwise agreed with investors, Supplemental Fees generally will be payable during term extensions, even if Management Fees are reduced or eliminated during the extended term.

The Management Fee is generally payable quarterly or semi-annually, with substantially all amounts paid in advance, but partially in arrears. The Management Fee generally will be payable until all of a Fund's portfolio investments are distributed or sold, or until the General Partner's relationship with the relevant Fund is terminated for other reasons described in each Fund's Governing Documents. In addition, each Fund's General Partner typically will receive a carried interest, incentive (including current pay incentive fees), or



performance fee from Investors in the relevant Fund(s) of up to 20% of all realized profits, generally subject to a preferred return, each as more fully described in the relevant Governing Document. The carried interest distributed to a General Partner typically is subject to a potential clawback or giveback generally at the end of the life of the applicable Fund if the General Partner has received excess cumulative distributions.

For certain Funds, the General Partners and/or their affiliates will be permitted to exempt certain persons from payment of all or a portion of Management Fees and/or carried interest, including the General Partner and any other person designated by the General Partner. The relevant General Partner reserves the right to make any such exemption from Management Fees and/or carried interest by a direct exemption, a rebate by a General Partner and/or its affiliates, or through private investment vehicles that co-invest with the Funds. For example, in instances where a Comvest Credit professional or its affiliate invests in a Fund, such professional or its affiliate generally will be exempt from payment of the Management Fee and/or carried interest with respect to such Fund. Additionally, to the extent permitted by the relevant Partnership Agreement, certain Managers have the right to permit investors, affiliated with a Manager or otherwise, to invest through the relevant General Partner or other vehicles that do not bear Management Fees or carried interest. Comvest Credit retains flexibility to structure its compensation from investors and expects in certain circumstances to agree to invoice an investor directly for Management Fees or other compensation, rather than deducting such amounts from the investor's capital account(s).

Separate Account fees are negotiated on a case-by-case basis and vary across Separate Accounts based on the type of service provided, size of the account and the overall relationship between the Managers and the Separate Account, including whether such Separate Account investor also invests in co-mingled funds sponsored by Comvest Credit and the aggregate dollar amount of such investor's holdings managed by Comvest Credit. Such fees, whether fixed or performance based, will be set forth in the applicable Investment Management Agreement. Conversely, in certain circumstances, a Separate Account investor may pay discounted fees for its investment in a co-mingled fund sponsored by Comvest based on the aggregate dollar amount of such investor's holdings managed by Comvest, inclusive of Separate Accounts.

The Funds and other Private Investment Funds generally invest on a long-term basis. Accordingly, Management Fees and other fees are expected to be paid, except as otherwise described in the relevant Governing Documents, over the term of the applicable Fund, and Investors generally are not permitted to withdraw or redeem interests in a Fund.

As described more fully in the applicable Governing Documents, a Fund typically will pay all organizational and start-up expenses of the Fund (generally subject to a specified cap), and all fees, costs, expenses, liabilities and obligations relating to the Fund's and/or its subsidiaries' activities, investments and business (to the extent not borne or reimbursed by a portfolio company or a potential portfolio company), including all fees, costs, expenses, liabilities and other obligations incurred in connection with or otherwise related or attributable to: (i) investigating, developing, negotiating, structuring, organizing, acquiring, financing, refinancing, studying, purchasing, originating (including attending industry and trade association meetings, conferences or events for purposes of soliciting, sourcing and evaluating actual or potential investment opportunities including related travel, lodging, meals and entertainment, meetings or other events for portfolio companies and/or their personnel); costs of workspaces or shared spaces; costs of car services; after-hours meals or transportation; advance payments of estimated expense amounts; Cayman anti-money laundering costs; or expenses relating to hiring consultants or portfolio company personnel (e.g., headhunter fees, background checks or relocation expenses), taking public or private, monitoring, administering, servicing, settling, hedging, valuing, appraising, rating, holding, winding up, liquidating and disposing of, and acting as agent for, actual and prospective investments (subject to any reimbursement of such costs and expenses by actual and prospective portfolio companies, or capitalization of such payments and expenses in

the purchase of investments); (ii) rendering financial, managerial, operational and other assistance to portfolio companies; (iii) computer software related to the affairs of the Fund and strategy-related research and market data, including, without limitation, news and quotation equipment, hardware or software and any subscriptions to any periodicals or databases or services; (iv) unconsummated Investments (including legal, accounting, auditing, insurance, travel (which may include travel in first class cabins and, in limited circumstances, private aircraft), consulting, brokerage, finders', financing, appraisal, filing, printing, real estate title, survey, reverse breakup, termination and other fees and expenses) ("**Broken Deal Expenses**") and, in the applicable General Partner's sole discretion, any Broken Deal Expenses that would have been allocated to co-investors had such proposed investment been consummated; (v) capital payments, interest and other expenses in respect of indebtedness for borrowed money, including, without limitation, financing fees, margin calls, up-front fees, pre-payment fees, maintenance fees, unused facility fees and other costs and expenses associated with negotiating, structuring, entering into, amending, obtaining waivers and consents with respect to, and terminating any credit facility for borrowing by the Fund, any holding vehicles, special purpose vehicles, subsidiaries or affiliate of the Fund related to any actual or prospective investment; (vi) brokerage commissions and prime brokerage fees, custodial expenses, agent bank and other bank service fees, finders' fees and other investment costs, including costs and expenses related to appointments or changes of a depositary (including any depositary appointed pursuant to the EU Alternative Investment Fund Managers Directive (the "**AIFMD**")), and Swiss representatives and Swiss paying agents appointed pursuant to Swiss Collective Investment Schemes Act (as amended) and its implementing ordinance, and any similarly required representatives or agents in other jurisdictions; (vii) the preparation, distribution or filing of Fund-related or investment-related financial statements, side letter elections, other reports, tax returns, tax estimates, Schedule K-1s, Solvency II reporting (or other similar regulations) or any other administrative, compliance or regulatory filings or reports (including Form PF and any filings or reports contemplated by AIFMD), or other information, including fees and costs of any third-party service providers and professionals related to the foregoing; (viii) legal counsel, tax advisors, auditors, accountants, alternative investment fund managers, agents, administrators, custodians, depositaries, rating agencies, consultants (including operating advisors, executive partners, OAG (as defined below) or those engaged for similar functions), compliance firms, information technology providers, administrator, consultants and other outside advisors or service providers; (ix) holding annual, periodic and special meetings of the Fund, a parallel fund and any feeder vehicles or otherwise holding meetings and conferences of the Fund's limited partners, parallel fund limited partners and feeder vehicle limited partners, including, without limitation, set-up, room and board, dining, entertainment, other travel-related expenses, honorarium, speaker fees and other meeting-related expenses, whether individually or as a group; (x) holding annual, periodic and special meetings, activities and other proceedings of the Fund's advisory committee (including any costs and expenses incurred by the advisory committee members, other representatives of the Fund's limited partners, parallel fund limited partners and feeder vehicle limited partners appointing such advisory committee members, permitted observers, representatives of the Fund's General Partner and other persons in attending or otherwise participating in meetings of the advisory committee); (xi) related to the Fund's compliance with any applicable law, rule or regulation associated with the activities of the Fund or the activities of the applicable General Partner or other Manager in respect of the Fund (including all expenses and costs associated with the reporting, filings or other ongoing compliance requirements (other than expenses and costs of the initial notifications, filings and compliance that are treated as organizational expenses) arising pursuant to AIFMD), including legal fees and expenses of outside counsel with respect thereto; (xii) registration, domicile, 'substance' or presence of the Fund, its General Partner, Comvest Credit or its affiliates in jurisdictions in which the Fund maintains subsidiary acquisition vehicles, holding vehicles or other special purpose entities of the Fund or its subsidiaries formed to make, hold or otherwise facilitate investments directly or indirectly on behalf of the Fund; (xiii) directors and officers liability, errors and omissions liability, crime coverage, cyber and social engineering coverage and general partnership liability premiums and other insurance expenses (including insurance to protect the Fund, its General Partner, any other applicable Manager, their respective officers, directors, employees, partners, managers and members, the Fund's limited partners, any parallel fund, any

feeder vehicle, and members of the Fund's advisory committee and its limited partners, parallel fund limited partners and feeder vehicle limited partners that they represent in connection with the activities of the Fund); (xiv) any audit, investigation, administrative or other proceedings, litigation and threatened litigation and proceedings relating to the business or activities and investments of the Fund, including any judgment, other award or settlement entered into in connection therewith; indemnification obligations (including any fees, costs and expenses incurred in connection with indemnifying any partner or other person or entity pursuant to the applicable Governing Document and advancing fees, costs and expenses incurred by any such person or entity in defense or settlement of any claim that may be subject to a right of indemnification pursuant to such Governing Document); (xv) liquidation of the Fund, any parallel funds, any feeder vehicles and any other Fund-related entities; (xvi) any taxes, fees, governmental charges, fines, penalties or other similar charges levied, assessed or imposed on or against the Fund (including holding vehicles, special purpose vehicles, subsidiaries and other affiliates), or the applicable Managers (excluding taxes on net income payable by the Managers in respect of the Management Fee), except to the extent that the Fund is reimbursed therefor by a reimbursing partner or such taxes or other amounts specified in this clause are treated as having been distributed to the applicable partners pursuant to the applicable Governing Document; (xvii) any extraordinary expense of the Fund, including fees and expenses associated with any tax or other audit, investigation, proceeding, regulatory matter, settlement or review of the Fund, including, without limitation, any changes to the management structure and operation of the Fund and the terms of the applicable Governing Document, the investment management agreement and any agreement with any other provider of services to or in respect of the Fund as the applicable General Partner or other Manager that the General Partner considers to be necessary or desirable either to comply with the provisions of AIFMD or seek to ensure that the management of the Fund are not subject to the provisions of AIFMD, or arising from any material change in the legal, tax or regulatory system in which the Fund operates (provided that such changes or amendments are not primarily for the benefit of the General Partner or any other Manager); (xviii) filing, title, transfer, registration and other similar fees and expenses; (xix) printing, communications, marketing and publicity; (xx) any activities with respect to protecting the confidential or non-public nature of any information or data; (xxi) amendments to, and waivers, consents or approvals pursuant to, the constituent documents of the Fund, the applicable General Partner and related entities and any alternative investment vehicle, including the preparation, distribution and implementation thereof; (xxii) unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer by a limited partner of its interest in the Fund; (xxiii) all other expenses properly chargeable to the activities of the Fund and their holding vehicles, structuring vehicles and subsidiaries; and (xxiv) all expenses relating to transportation (which may include travel in first class cabins and, in limited circumstances, the cost of chartering private aircraft or other private air travel) accommodations, meals and entertainment in respect of the foregoing clauses. Generally included in the expenses permitted to be borne by a Fund are the fees, costs, expenses, liabilities and obligations of legal counsel, consultants and/or other service providers to procure, develop, establish, review, revise, customize, upgrade and/or negotiate relationships relating to the foregoing items, which generally are expected to be significant. In the event that a transaction in which a co-investment was planned but not consummated, the Managers will generally arrange for the co-investors that have irrevocably agreed to participate in such transaction (but not potential co-investors that had not irrevocably agreed to participate) to share in the Broken Deal Expenses. However, certain co-investors that participate because such persons will influence post-closing portfolio company performance and the Managers wish to align the interests of such persons with those of the applicable Fund (such as members of the post-closing management team for the portfolio company, but excluding in all cases Firm employees) generally will not share in Broken Deal Expenses. To the extent a Fund makes use of a credit facility to invest in a portfolio company or pay related expenses, it generally will not be reimbursed separately by co-investors for use of the facility. In addition, a Fund will also bear expenses indirectly to the extent a portfolio company (or intermediate entity) pays expenses, including expenses of the Managers and/or its affiliates; the relative percentage of these expenses that are borne by various stakeholders (including the relevant Fund, any co-investors, portfolio company management and other persons) is expected to depend upon the level at which such expenses are charged or

incurred. In certain cases, these or similar expenses (and/or Supplemental Fees) are expected to be charged to portfolio companies, capitalized into the cost basis of a transaction or, to the extent necessary or desirable for operational, administrative, tax or other reasons, charged at the level of an intermediate holding company between the relevant Fund and the portfolio company. Each Fund also generally will bear the costs of implementing, reporting (as applicable) monitoring and complying with investment guidelines and directives relating to the Fund's strategy, including in side letters relating thereto, and (where applicable) environmental, social, governance and other standards to which the relevant General Partner has committed in making investments on behalf of the Fund. To the extent brokerage fees are incurred, they will be incurred by the applicable Fund in accordance with the general practices set forth in Section 9 below.

As described in the relevant Governing Document, a Manager will generally bear the normal and recurring operating and administrative expenses of the Manager, including, but not limited to, compensation of the Manager's professional personnel (although a portfolio company is likely to pay (or a Fund is likely to reimburse) a Manager and/or its associates in the event that personnel of the Manager and/or its associates serve as employees of or provide services in the ordinary course to a portfolio company and such compensation generally would not offset the Management Fees) and fees and expenses for administrative services, office space and facilities.

Principals or employees of the Firm have historically received a portion of the carried interest or other compensation received by the Firm or its affiliates. Additionally, as further described herein and in the applicable Governing Documents of each Fund, it is the Managers' practice to retain certain operating partners (including entities formed for the benefit of such persons and/or to facilitate the provision of their services) or other personnel affiliated with the Firm to provide services to (or with respect to) one or more Funds or certain current or prospective portfolio companies in which one or more Funds invest. In particular, the Firm has relationships with "Executive Partners," who are seasoned executives with specific experience in the portfolio company's industry; help in forming the investment theses, supporting industry-informed deal origination, and conducting business diligence; and are available in a management or board role in a portfolio company and will be active in post-closing oversight. Executive Partners on occasion are expected to be put on retainer (paid for by the applicable Fund(s)) with a Manager and generally will receive compensation and other amounts for their services, the form of which potentially includes co-investment opportunities, profits, participation or equity interests and cash consulting fees, and such amounts will not offset the Management Fee in any manner. The Firm also has relationships with the owners and employees of the consulting firm Operating Advisory Group, L.L.C. ("OAG"), the members of which the Firm recruited and who consult closely with the Firm's portfolio companies (and, in certain instances, the Funds and/or the Firm). Operating partners, including OAG, potentially are affiliates of the Managers or employees thereof and generally provide services in relation to the identification, acquisition, holding, improvement and disposition of portfolio companies, including operational aspects of such companies. In certain circumstances, these services also include serving in management or policy-making positions for portfolio companies. The Managers seek to align the interests of operating partners with those of those of the Funds by having them participate in the equity appreciation of portfolio companies. Such participation generally will be as part of the management equity pool or as a share of the applicable Fund's interest in the portfolio company. While such an arrangement could be more favorable to the relevant Fund if the investment does not increase in value, in the event of appreciation in the relevant investment any such profits interest generally would have a dilutive impact on the Fund's investment, as well as the potential to result in economic gains to the recipient greater than the original amount of compensation. In certain instances, Executive Partners and Operating Partners, including OAG employees, are expected to invest in certain of the Funds and pay discounted fees therefor, which will not be subject to "most-favored-nation" provisions of the Funds' Governing Documents. Operating partners are also expected to receive other forms of compensation and other amounts, including cash consulting fees and expense reimbursement. No such amounts paid to operating partners will offset the Management Fee, though the Managers reserve the right to, from time to

time, reduce the Supplemental Fees they receive from the applicable portfolio company in connection with some or all amounts paid to operating partners. Compensation in the form of profits or equity interests in a portfolio company or intermediate holding company generally has a dilutive impact on the Fund's investment, and the relevant Fund typically will bear the costs of all operating partner compensation as well as fees, costs and expenses of structuring operating partner arrangements. No Firm employee or affiliate, including the Funds, has an economic interest in operating partners or shares in their consulting fees although Comvest Credit is in a position to exert significant influence over OAG and the parent of Comvest Credit has provided OAG with a revolving line of credit for working capital (which accrues interest at "Prime" plus 2%), financial reporting services, and office space for certain OAG employees, and Comvest Credit holds a call option to acquire all of the shares of OAG's parent company at a nominal value. Comvest Credit anticipates that such option would only be exercised in connection with a transition from current ownership. The use of operating partners and certain consultants subjects the Managers to conflicts of interest, as discussed under "Conflicts of Interest," below.

It is expected that any similar future Private Investment Funds will have a similar fee structure.

### **Section 3. Performance-Based Fees and Side-By-Side Management**

As discussed under Section 2 ("Fees and Compensation") above, the relevant General Partner or its affiliates generally receive a carried interest allocation on certain realized profits in the Funds. A performance-based allocation is an allocation representing an asset manager's compensation based on a percentage of net profits of the fund being managed. The existence of performance-based compensation has the potential to create an incentive for a Manager to make more speculative investments on behalf of a Fund than it would otherwise make in the absence of such arrangement, although the Managers generally considers performance-based compensation to better align their interests with those of their investors. In addition, the Principals expect to make significant investments in each Fund, which the Managers believe further aligns, to some extent, the interests of the Managers with those of the Investors. Also, to the extent that the Managers have Funds with varying carried interest terms and/or personnel of the Managers are assigned varying percentages of carried interest from the Funds, the Managers and such personnel are subject to potential conflicts of interest, to the extent they are involved in identifying investment opportunities as appropriate for Funds from which they are entitled to receive a higher carried interest percentage. The Managers seek to address the potential for conflicts of interest in these matters with allocation policies that provide that transactions and investment opportunities will be allocated to the Funds in accordance with each Fund's investment guidelines and Governing Documents, as well as other factors that do not include the amount of performance-based compensation received by the Managers or any personnel.

Comvest advises a private investment vehicle formed to allow employees of Comvest and its affiliates, as well as certain other persons, to invest in portfolio investments made by Funds advised by the Firm, future Funds and other investments that are outside of the investment mandates of the Funds. Such private investment vehicle does not charge Management Fees and is not subject to carried interest. However, the Firm does not believe this creates a conflict of interest with respect to the Funds. See Section 5, "Methods of Analysis, Investment Strategies and Risk of Loss," for further discussion of conflicts of interest.

### **Section 4. Types of Clients**

Comvest Credit provides investment advice to Private Investment Fund clients, which are investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. The Investors participating in Private Investment Funds generally will 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 and from time to time include, directly or indirectly, Principals or other employees of Comvest Credit and its affiliates and members of their families, operating partners or other service providers retained by the Managers, as well of executive partners and executives of portfolio companies. References throughout this Brochure to “clients” and to the Managers’ related duties to and practices on behalf of its clients and/or Investors should be construed accordingly.

The relevant Manager also generally will be permitted from time to time to establish Private Investment Funds that are alternative investment vehicles in order to permit certain investors to participate in one or more particular investment opportunities in a manner desirable for tax, regulatory or other reasons. Alternative investment vehicle sponsors generally will have limited discretion to invest the assets of these vehicles independent of limitations or other procedures set forth in the Governing Documents of such vehicles and the related Private Investment Fund.

The Funds generally will have a minimum investment amount in the range of \$1 million to \$5 million for third-party Investors, as set forth in the relevant Memorandum. The relevant General Partner generally is permitted to waive such minimum investment amount, but generally will not permit an amount less than \$100,000 (or other amounts as specified by local laws and regulations). Interests in the Funds generally are offered and sold solely to qualified purchasers or qualified knowledgeable personnel of the Managers.

## **Section 5. Methods of Analysis. Investment Strategies and Risk of Loss**

The Managers expect to oversee funds that invest in two primary strategies, a control-oriented strategy and a lending strategy. The Managers oversee a third strategy, Strategic Growth, that typically seeks to invest in transactions and other instruments that fall outside the current size, control or risk criteria of the control and lending strategies.

### **Control Strategy**

With respect to control strategy funds, the Managers will employ an operationally-intensive approach to control equity investing in the middle market. The Managers will target investments across the following main situation types:

- **Underperforming.** Underperforming companies are generally profitable companies but are underperforming relative to their potential. These companies typically have strong competitive positions, but are typically in need of investment in systems, infrastructure, and upgraded human capital. The Managers typically target family-owned businesses, companies without a private equity sponsor, and other companies in need of institutionalization. The Managers look to bring operational focus to bear by accelerating performance through better management and a detailed operational improvement plan.
- **Complex Situations.** Complex situations are generally companies experiencing severe structural or operational problems. These companies will often require a transformative corporate event to help solve structural issues, including spinning out neglected non-core corporate assets and recapitalizing over-leveraged businesses. The Managers will work with management and the Firm’s operating resources to bring direction, transitional management, and a detailed improvement plan to these complex situations.
- **Transitional Growth.** Transitional growth companies are generally profitable companies that are in

need of platform-oriented infrastructure to enable and catalyze a higher growth trajectory or acquisition strategy. These companies are typically owned by a founder, entrepreneur, or family member and have not made the necessary investments in infrastructure, technology, or human capital to drive a higher top-line growth trajectory. The Managers will generally focus on building the proper infrastructure to “institutionalize” the business.

## **Lending Strategy**

With respect to the lending strategy funds, Comvest Credit’s strategy is to provide financing to middle-market companies, primarily in the United States of America, that meet well-defined criteria and exhibit strong cash flow characteristics, sustainable enterprise values, and substantial tangible assets relative to the investment amount. Comvest Credit primarily will provide senior secured term loans to growth-oriented, middle-market businesses and structures customized financing solutions that provide borrowers with flexible senior and junior secured term loans. Term loans are generally 3-5 years and may include an equity component, either through warrants or minority equity co-investments that may provide potential upside benefits beyond a structured return. In private company investments, Comvest Credit generally expects to obtain put rights that allow the fund to sell all or a significant portion of its equity participation back to the borrower at defined intervals, often at a predetermined price. Comvest Credit generally expects to obtain a first lien or second lien on certain key assets, however, Comvest Credit may also provide unsecured subordinated debt or equity, including equity co-investments in preferred and common stock and warrants.

## **Strategic Growth Strategy**

Strategic Growth seeks opportunities for investments in control and non-control transactions and other instruments that fall outside the current size, control or risk criteria of the control and lending strategies.

*There can be no assurance that the Managers will achieve the investment objectives of the Funds, and a loss of investment is possible.*

## **Risks of Investment**

A Fund and its Investors bear the risk of loss that the applicable Manager’s investment strategy entails. The risks involved with the Manager’s investment strategy and an investment in a Fund will be detailed in Fund’s Governing Documents. In general, these risks include, but are not limited to:

**Business Risks.** A Fund’s investment portfolio will consist primarily of securities issued by privately, and, in some cases, publicly held companies, and operating results in a specified period will be difficult to predict. Investment in private, middle-market companies involves a number of significant risks. Generally, little public information exists about these companies, and a Fund will rely on its Manager’s and its affiliates’ ability to obtain, through its own diligence and/or through third-party diligence, adequate information to evaluate the potential returns from investing in these companies. If the Manager is unable to uncover all material information about these companies, the General Partner may not make a fully informed investment decision, and a Fund may lose money on its investments. In addition, such companies typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors’ actions and market conditions, as well as general economic downturns. Additionally, middle-market companies are more likely to depend on the management talents and efforts of a small group of persons. Therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on one or more of the obligors of investments

that a Fund holds and, in turn, on such Fund. Middle-market companies also may be parties to litigation and may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence. Investment in middle-market companies therefore involve a high degree of business and financial risk, which can result in substantial losses.

*Future and Past Performance.* The performance of the Managers' prior investments is not necessarily indicative of the Fund's future results. While the Managers intend for each Fund to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that any targeted internal rate of return will be achieved. On any given investment, loss of principal is possible.

*Investment in Junior Securities.* The securities in which any Fund will invest may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Except in cases in which a Fund purchases secured debt securities, there generally will be no collateral to protect an investment once made. In the event any portfolio company cannot generate adequate cash flow to meet debt service, the relevant Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect such Fund's returns.

*Concentration of Investments.* A Fund generally will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment or within a short period of time. As a result, the investment portfolio of any Fund could become highly concentrated, and the performance of a few holdings or of a particular industry may substantially affect its aggregate return and may expose the Fund to losses disproportionate to those incurred by the market in general if the areas in which the Fund's investments are concentrated are disproportionately adversely effected by price movements. Furthermore, to the extent that the capital raised is less than the targeted amount, such Fund may invest in fewer portfolio companies and thus be less diversified.

*Competition for Investment Opportunities.* Each Fund is expected to operate in a highly competitive market for investment opportunities. The Funds will compete for investments with various other investors, such as, depending on the investment, other public and private funds, commercial and investment banks, collateralized loan obligation ("CLO") funds, business development companies, commercial finance companies and, to the extent they provide an alternative form of financing, private equity and hedge funds. The lending, investment and securities industries, the various financial markets in which the applicable Manager participates, and the varied strategies and techniques engaged in by such Manager are extremely competitive and involve a high degree of risk. The applicable Manager and the Fund will compete with firms, including many of the larger lending, securities and investment banking firms, which have substantially greater financial resources and research staffs. Other funds may have investment objectives that overlap with the Fund, which may create competition for investment opportunities. Some competitors may have a lower cost of funds and access to funding sources that are not available to the Fund, and may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships.

*Lack of Sufficient Investment Opportunities.* It is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified. The business of identifying, structuring and completing private equity transactions is highly competitive and involves a high degree of uncertainty. However, certain Funds' Investors may be required to pay annual Management Fees during the Fund's investment period generally based on the entire amount of their Commitments to such Fund and other expenses as set forth in the relevant Partnership Agreement.

*Dynamic Investment Strategy.* While the Managers generally intend to seek attractive returns for the Funds primarily by employing the strategy and methods described herein, the Manager of a particular Fund may



pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process or investment techniques to the extent it determines such modification or departure to be appropriate and consistent with the relevant Partnership Agreement(s). Any Manager may pursue investments outside of the industries and sectors in which it has previously made investments or has internal operational experience.

*Impact of Government Regulation, Reimbursement & Reform.* Certain industry segments in which a Fund intends to invest, including various segments of the healthcare industry, are (or may become) (i) highly regulated at both the federal and state levels in the United States and internationally and (ii) subject to frequent regulatory change. Certain segments may be highly dependent upon various government (or private) reimbursement programs. While each Fund intends to invest in companies that seek to comply with applicable laws and regulations, the laws and regulations relating to certain industries, including in particular the healthcare industry, are complex, may be ambiguous or may lack clear judicial or regulatory interpretive guidance. An adverse review or determination by any applicable judicial or regulatory authority of any such law or regulation, or an adverse change in applicable regulatory requirements or reimbursement programs, could have a material adverse effect on the operations and/or financial performance of the companies in which such Fund invests. By way of example, the healthcare industry have been, and will likely continue to be, significantly impacted by recent legislative changes, and various U.S. federal, state or local or non-U.S. legislative proposals related to such industries are introduced from time to time, which, if adopted, could have a significant impact on such industries in general and/or on companies in which such Fund may invest.

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

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

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

*Leveraged Investments.* A Fund is permitted to make use of leverage by incurring or having a portfolio

company or intermediate entity incur debt to finance a portion of its investment, including in respect of companies not rated by credit agencies. Leverage generally magnifies both the relevant Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage will also result in interest expense and other costs to a Fund that may not be covered by distributions made to such Fund or appreciation of its investments. In a down market, leverage is likely to accelerate and magnify declines in the value of the Fund's investments. The use of leverage exposes a Fund to additional risk including (i) greater losses from investments than would otherwise have been the case had the Fund not used leverage to make the investments; (ii) collateral requirements that may force premature liquidations of investment positions; and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Fund's cost of leverage related to such investment. In the event of a sudden drop in value of a Fund's assets, the Fund might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying the losses incurred by the Fund. Leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and will constrain its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of a Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of such Fund's investments in the leveraged portfolio companies in a down market. These risks generally are expected to increase as interest rates rise, including in circumstances where a portfolio company's creditworthiness is such that it must borrow at higher interest rates than are available to the relevant Fund. In the event any portfolio company cannot generate adequate cash flow to meet debt service, a Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of such Fund. Furthermore, should the credit markets be tight at the time a Manager determines that it is desirable for the relevant Fund to sell all or a part of a portfolio company, such Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which a Fund will invest generally will not be rated by a credit rating agency. Except where otherwise required by the relevant Governing Documents, a Fund will not be obligated to borrow on behalf of a portfolio company, even in circumstances where the Fund's creditworthiness would permit borrowing at a lower rate than is available to the portfolio company.

A Fund is also permitted to borrow money or guarantee indebtedness (such as a guaranty of a portfolio company's debt, a letter of credit or other forms of promise to provide funding). The use of leverage by a Fund generally also will result in fees, interest expense and other costs to such Fund that may not be covered by distributions made to such Fund or appreciation of its investments. While Fund-level borrowings generally will be interim in nature, asset-level leverage generally will not be subject to any limitations, including with respect to the amount of time such leverage may remain outstanding. A Fund generally is permitted to incur leverage on a joint, several, joint and several or cross-collateralized basis with one or more other investment funds and entities managed by the Managers, including through fund subsidiaries and other intermediate entities, and may have a right of contribution, subrogation or reimbursement from or against such entities. It is also possible that certain co-investors (including management, any roll-over investors and/or third-party co-investors) will not share in incurring such leverage and that the Fund will disproportionately bear the risk and/or costs of leverage arrangements. Conversely, lenders and other market participants are expected from time to time to seek "cross default" rights under which a Fund will be treated as in default under the relevant facility in the event of a default by another Fund relating to their respective lending or other facilities; if any such provision were to be triggered, a Fund's limited partners could suffer adverse effects resulting from any default by another Fund, whether or not related to the Fund in which such limited partners have invested. In addition, to the extent a Fund incurs leverage (or provides such guaranties), such amounts are permitted to be secured by capital commitments made by such Fund's investors and such investors' contributions may be

required to be made directly to the lenders of such Fund. The terms of any debt incurred by a Fund may require that the lender be repaid on a priority basis prior to any distributions by such Fund to its investors. In addition, lenders to a Fund may have a security interest in the assets of such Fund. Any such lender may also hold liens granted by the Fund on its assets. In the event of an unremedied default by the Fund under any such arrangement, a lender may have the right to receive and take possession of, and then to liquidate, its pro rata interest of each asset of the Fund.

*Subscription Lines.* A Fund generally is permitted to enter into a subscription line with one or more lenders in order to finance its operations (including the acquisition of the Fund's investments). Fund-level borrowing subjects limited partners to certain risks and costs. For example, because amounts borrowed under a subscription line typically are secured by pledges of the relevant General Partner's right to call capital from the limited partners, limited partners may be obligated to contribute capital on an accelerated basis if the Fund fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder. Moreover, any limited partner claim against the Fund would likely be subordinate to the Fund's obligations to a subscription line's creditors.

In addition, Fund-level borrowing will result in incremental partnership expenses that will be borne by investors. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a subscription line, an upfront fee for establishing a subscription line, and other one-time and recurring fees and/or expenses, as well as legal fees relating to the establishment, structuring and negotiation of the terms of the borrowing facility, as well as expenses relating to maintaining, renegotiating or terminating the facility. Because a subscription line's interest rate is based in part on the creditworthiness of the relevant Fund's limited partners and the terms of the Governing Documents, it may be higher than the interest rate a limited partner could obtain individually. To the extent a particular limited partner's cost of capital is lower than the Fund's cost of borrowing, Fund-level borrowing can negatively impact a limited partner's overall individual financial returns even if it increases the Fund's reported net returns in certain methods of calculation. To the extent the Fund utilizes borrowed funds in advance or in lieu of capital contributions, its limited partners generally make correspondingly later capital contributions. As a result, the Fund's use of borrowed funds will impact the calculation of net performance metrics (to the extent that they measure limited partner cash flows) and are likely to make net IRR calculations higher than they otherwise would be without Fund-level borrowing, as these calculations generally depend on the amount and timing of capital contributions, and thereby may be deemed to benefit the marketing efforts of the General Partner and its affiliates. While the Fund will bear the expense of borrowed funds, such borrowings can also increase the carried interest received by the General Partner by decreasing the amount of distributions from the Fund that are required to be made to limited partners in satisfaction of any preferred return. The General Partner therefore has a conflict of interest in deciding whether to borrow funds because the General Partner will potentially receive disproportionate benefits from such borrowings. To the extent a particular limited partner's cost of capital is lower than the relevant Fund's cost of borrowing, Fund-level borrowing can negatively impact a limited partner's overall individual financial returns even if it increases the Fund's reported net returns in certain methods of calculation. Conflicts of interest have the potential to arise in that the use of Fund-level borrowing typically delays the need for limited partners to make contributions to a Fund, or results in short-term gains to a Fund, which in certain circumstances enhances the relevant Fund's internal rate of return calculations and thereby may be deemed to benefit the marketing efforts of the General Partner and its affiliates and increases the likelihood that any hurdle or preferred return component in the Fund's carried interest arrangements will be met. The use of Fund-level borrowing arrangements, and the repayment or non-repayment thereof, can also influence the determination of the end of a Fund's investment period, and cause or defer a related change in the basis of the relevant Fund's Management Fee calculation under the Governing Documents. Additionally, there is a risk that one or more lenders may reduce the availability or capacity of a subscription facility, which could have a material adverse effect on a Fund's ability to finance its operations or make investments. Conflicts of interest also have the potential to arise to the extent that a subscription line is used to make an investment that is later sold in part to co-investors

(including one or more co-investing Funds), as to the extent co-investors are not required to act as guarantors under the relevant facility or pay related costs or expenses, co-investors nevertheless stand to receive the benefit of the use of the subscription line and neither the relevant Fund nor investors generally will be compensated for providing the relevant guarantee(s) or being subject to the related costs, expenses and/or liabilities.

A credit agreement frequently will contain other terms that restrict the activities of a Fund and the limited partners or impose additional obligations on them. For example, a subscription line may impose restrictions on the relevant General Partner's ability to consent to the transfer of a limited partner's interest in the Fund or impose concentration or other limits on the Fund's investments. In addition, in order to secure a subscription line, the relevant General Partner may request certain financial information and other documentation from limited partners to share with lenders. The General Partner will have significant discretion in negotiating the terms of any subscription line and may agree to terms that are not the most favorable to one or more limited partners. In certain circumstances, due to separate evaluations of creditworthiness by lenders or facility providers, a portfolio company or other Fund subsidiary is expected to bear higher rates under a borrowing facility than are borne by the Fund, resulting in a potential net benefit to the Fund, or additional potential liquidity constraints or other burdens on the relevant portfolio company or Fund subsidiary.

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows a General Partner to fund investments and pay partnership expenses without calling capital, potentially for extended periods of time. Calling a large amount of capital at once to repay the then current amount outstanding under a subscription line could cause short-term liquidity concerns for limited partners that would not arise had the relevant General Partner called smaller amounts of capital incrementally over time as needed by a Fund. This risk would be heightened for a limited partner with commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the limited partner to meet the accumulated, larger capital calls at the same time. The Manager is typically authorized to use Fund-level borrowing to pay Management Fees and to reimburse the Manager for expenses incurred on behalf of the Fund. A Fund is also permitted to utilize Fund-level borrowing when a General Partner expects to repay the amount outstanding through means other than limited partner capital, including as a bridge for equity or debt capital with respect to an investment. If the Fund ultimately is unable to repay the borrowings through those other means, limited partners would end up with increased exposure to the underlying investment, which could result in greater losses.

If an investment appreciates in value and is disposed of prior to repayment, the relevant Fund generally would apply disposition proceeds to repay the borrowing and related interest and expenses, the absence of invested capital funded by limited partners potentially will result in a distribution of net proceeds without a preferred return accrual on the amount invested. Accordingly, borrowings have the potential to support the distribution of proceeds to limited partners and increase the potential carried interest for the relevant General Partner, as reduced by the interest incurred by the relevant Fund. Subject to any limitations in the Governing Documents, this scenario potentially incentivizes the relevant General Partner to permanently fund the acquisition and ongoing capital needs of a Fund's investments and related expenses with the proceeds of such borrowings in lieu of drawing down capital contributions on an as-needed basis, and, accordingly, capital contributions to repay such borrowings may be required only at the time of the disposition of an investment (or never, if principal and interest on such borrowings are always repaid out of disposition proceeds).

Capital Structure Leverage. A Fund's investments are expected to include businesses whose capital structures may have significant leverage. Such investments are inherently more sensitive to declines in revenues and to increases in expenses and interest rates. Leverage often imposes restrictive financial and operating covenants on a business, in addition to the burden of debt service, and may impair its ability to

finance future operations and capital needs. The leveraged capital structure of such investments will increase the exposure of such companies to adverse economic factors such as downturns in the economy or deterioration in the condition of a company or its industry.

*Deterioration of Credit Markets May Affect Ability to Finance and Consummate Investments.* In the event that the global credit markets deteriorate and it becomes more difficult for investment funds such as the Fund to obtain favorable financing for investments, the Fund's ability to generate attractive investment returns may be adversely affected to the extent the Fund is unable to obtain favorable financing terms for its investments. Moreover, to the extent that such marketplace events are not temporary and continue, they may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the United States and global economies. Such marketplace events also may restrict the ability of the Fund to realize its investments at favorable times or for favorable prices.

*Limited Transferability of Fund Interests.* There will be no public market for the interests of any Fund, and none is expected to develop. There are substantial restrictions upon the transferability of Fund interests under the Partnership Agreements and applicable securities laws. In general, withdrawals of Fund interests are not permitted. In addition, Fund interests are not redeemable.

*Financial Institution Risk; Distress Events.* An investment in the Funds is subject to the risk that one of the banks, brokers, hedging counterparties, lenders or other custodians (each, a "Financial Institution") of some or all of the Fund's (or any portfolio company's) assets fails to timely perform its obligations or experiences insolvency, closure, receivership or other financial distress or difficulty, similar to that experienced by Silicon Valley Bank and Signature Bank in March 2023 (each, a "Distress Event"). Distress Events can be caused by factors including eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance or accounting irregularities. If a Financial Institution experiences a Distress Event, the General Partners, the Funds or one or more of their respective portfolio companies may not be able to access deposits, borrowing facilities or other services, either permanently or for an extended period of time. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by organizations such as the Federal Deposit Insurance Corporation ("FDIC"), in the case of banks, and the Securities Investor Protection Corporation ("SIPC"), in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of total loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose increased risk of loss. While in recent years governmental intervention has often resulted in additional protections for depositors and counterparties during Distress Events, there can be no assurance that such intervention will occur in a future Distress Event or that any such intervention undertaken will be successful or avoid the risks of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

Any Distress Event has a potentially adverse effect on the ability of a General Partner to manage the respective Fund and its investments, and on the ability of the General Partner, the Fund and any portfolio company to maintain operations, which in each case could result in significant losses and in unconsummated investment acquisitions and dispositions. Such losses could include: a loss of funds; an obligation to pay fees and expenses in the event a Fund is not able to close a transaction (whether due to the inability to draw capital on a credit line provided by a Financial Institution experiencing a Distress Event, the inability of the Fund to access capital contributions or otherwise); the inability of the Fund to acquire or dispose of investments, or acquire or dispose of such investments at prices that the relevant General Partner believes reflect the fair value of such investments; and the inability of portfolio companies to make payroll, fulfill obligations or maintain operations. If a Distress Event leads to a loss of access to a Financial Institution's services, it is also possible that a Fund or a portfolio company will incur additional expenses or delays in putting in place alternative arrangements or that such alternative arrangements will be less favorable than those formerly in place (with respect to economic terms, service levels, access to capital, or otherwise). Although the relevant General Partner expects to exercise contractual remedies under agreements with Financial Institutions in the



event of a Distress Event, there can be no assurance that such remedies will be successful or avoid losses or delays. The Funds and their portfolio companies are subject to similar risks if a Financial Institution utilized by investors in the Fund or by suppliers, vendors, service providers or other counterparties of such Fund or a portfolio company becomes subject to a Distress Event, which could have a material adverse effect on the Fund.

Many Financial Institutions require, as a condition to using their services (including lending services), that the General Partners and/or the respective Funds maintain all or a set amount or percentage of their respective accounts or assets with the Financial Institution, which heightens the risks associated with a Distress Event with respect to such Financial Institutions. Although the General Partners seeks to do business with Financial Institutions that they believes are creditworthy and capable of fulfilling their respective obligations to a Fund, the General Partners are under no obligation to use a minimum number of Financial Institutions with respect to the relevant Fund or to maintain account balances at or below the relevant insured amounts.

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

In an effort to contain such health emergencies, national, regional and local governments, as well as private businesses and other organizations, have taken or have the potential to take restrictive measures, including instituting local and regional quarantines, restricting travel (including closing certain international borders), prohibiting public activity (including “stay-at-home” and similar orders), and ordering the closure of large numbers of offices, businesses, schools, and other public venues. Any such measures have the potential to significantly diminish economic production and activity of all kinds and contribute to volatility in financial markets, in demand across categories of consumers and businesses, as well as in the credit and capital markets. Restrictive measures, whether on an initial or re-imposed basis, also have the potential to cause labor force and operational disruptions, slowing or complete idling of certain supply chains and manufacturing activity, increases in unemployment levels, and strain and uncertainty for businesses and households, with a particularly acute impact on industries dependent on travel and public accessibility, such as transportation, hospitality, tourism, retail, sports and entertainment.

The ultimate impact of any such health emergency, on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict, but could have a significant adverse impact and result in significant losses to the Funds. The extent of the impact on the Funds’ and their portfolio companies’ operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors may limit the ability of the Funds to source, diligence and execute new investments and to manage, finance and exit investments in the future, and governmental mitigation actions may constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy the Funds intend to pursue, all of which could adversely affect the Funds’ ability to fulfill their investment objectives. They may also impair the ability of portfolio companies or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences, including the potential for defaults by borrowers under debt instruments held by a Fund. With respect to any revolving or delayed draw loans made by a Fund to a portfolio company, a portfolio company may be incentivized for liquidity or other reasons to draw on most, if not all, of the unfunded portion of such loan and a Fund may not have the ability under the applicable credit agreement to refuse to fund such draw without the Fund being in default and suffering financial penalties. In

addition, the operations of the Funds, their portfolio companies, the General Partners and the Managers may be significantly impacted, or even temporarily or permanently halted, as a result of any such health emergencies, or any measures, restrictions, remote-working requirements and other factors related thereto, including its potential adverse impact on the health of any such entity's personnel. These measures may also hinder such entities' ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

*Restricted Nature of Investment Positions.* Generally, there will be no readily available market for a substantial number (or all) of a Fund's investments, and hence, most or all of a Fund's investments will be difficult to value. Certain investments may be distributed in kind to a Fund's Investors and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such partners. After a distribution of securities is made to the partners, many Investors 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 partners may be lower than the value of such securities determined pursuant to the Governing Documents, including the value used to determine the amount of carried interest available to the applicable Manager with respect to such investment.

*Reliance on the General Partner and Portfolio Company Management.* Control over the operation of the Funds will be vested entirely with the relevant Manager(s), and the Fund's future profitability will depend largely upon the business and investment acumen of the Principals and the Managers' investment committee members. The loss or reduction of service of one or more of the Principals or investment committee members could have an adverse effect on the Fund's ability to realize its investment objectives. In addition, the Principals currently, and may in the future, manage other investment funds besides the relevant Fund and the Principals may need to devote substantial amounts of their time to the investment activities of such other funds, which may pose a conflict of interest in the allocation of the time of the Principals. The Principals and members of the Managers' investment team are under no contractual obligation to remain with the Managers for all or any portion of the term of the relevant Fund. The departure of any or a significant number of the Principals or members of the Managers' investment team could have a material adverse effect on a Fund's ability to achieve its investment objective. Investors in a Fund generally have no right or power to take part in the management of such Fund, and as a result, the investment performance of the Fund will depend entirely on the actions of the relevant Manager. In addition, certain changes in the relevant Manager or circumstances relating to such Manager may have an adverse effect on the Fund or one or more of its portfolio companies, including potential acceleration of debt facilities.

Although the relevant Manager will monitor the performance of each Fund investment, it will primarily be the responsibility of each portfolio company's board of directors and management team to operate the portfolio company on a day-to-day basis. Although the Managers will seek to negotiate appropriate rights and controls and generally intend to invest on behalf of each Fund in companies with strong management or recruit strong management to such companies, there can be no assurance that that appropriate control and other rights will be secured in negotiations and/or the existing management of such companies will continue to operate a company successfully.

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

*Projections.* Projected operating results of a portfolio company in which a Fund invests normally will be based primarily on financial projections prepared by each portfolio company's management, with

adjustments to such projections made by the Firm in its discretion. In all cases, projections are only estimates of future results that are based upon information received from the company and third parties and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, there are many factors, such as general economic factors, personnel factors, competitive factors, legal and legislative factors, which are not predictable, that can have a material effect on the reliability of projections.

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

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

*Limited Access to Information.* A Fund's limited partners' rights to information regarding the Fund are set forth, and strictly limited, in the applicable Governing Document. In particular, it is anticipated that the applicable Managers may obtain certain types of material information from portfolio companies that will not be disclosed to Fund limited partners because such disclosure is prohibited for contractual, legal or similar obligations outside of the Managers' control. Decisions by the applicable Manager to withhold information may have adverse consequences for limited partners in a variety of circumstances. For example, a limited partner that seeks to transfer its interest may have difficulty in determining an appropriate price for such interest. Decisions to withhold information also may make it difficult for limited partners to monitor the applicable Manager's performance. Limited partners generally will bear the expenses of responding to disclosure requests, including in connection with state public records laws, similar freedom of information laws and other laws, whether or not the relevant Fund succeeds in asserting confidentiality for requested documents and other materials, and the Managers reserve the right to withhold certain information from investors subject to such laws for reasons relating to the Managers' public reputation or business strategy or other reasons.

*Due Diligence.* Before making investments, the Manager intends to conduct due diligence to the extent it deems reasonable and appropriate based on the applicable facts and circumstances. When conducting due diligence, the Fund generally will evaluate a number of important business, financial, tax, accounting, environmental, regulatory and legal issues in determining whether or not to proceed with an investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, the Manager will be required to rely on resources available to it, including information provided by potential borrowers, equity managers and other independent sources. During the due diligence process, the Manager may at times be required to rely on limited or incomplete information, particularly with respect to less-established companies. Additionally, investment analysis and decisions by the Manager may be required to be undertaken on an expedited basis to take advantage of investment opportunities. Accordingly, the Manager



cannot guarantee that the due diligence investigation carried out by the Manager with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. There is significant divergence in the terms of legal documentation used in relation to the types of investments expected to be made by the Fund, and it may be the case that the terms of that documentation do not create the collateral or structural protections that were intended to be created. For example, loan investments may be unsecured, whether because of legal limitations or a failure to create a perfected senior security, or may be subordinated to the claims of other creditors. Any failure by the Manager to identify relevant facts through the due diligence process may cause it to make unfavorable investment decisions, which could have a material adverse effect on the Fund. Due diligence may also be costly, which will decrease the Fund's overall returns.

*Tax Information Exchange Regimes: FATCA Withholding Tax on Certain Non-U.S. Entities.* Numerous jurisdictions have enacted or have committed to enact legislation and administrative guidance requiring the collection and sharing of certain information in order to combat tax avoidance. The United States Foreign Account Tax Compliance Act ("FATCA") aims to combat tax evasion by the United States tax residents using foreign accounts. It includes certain provisions on withholding taxes and requires financial institutions outside the United States to collect and share information about their U.S. customers. One or more of these information exchange regimes are likely to apply to each Fund and/or alternative investment vehicles, and may require the General Partner to collect and share with applicable taxing authorities information concerning such Fund's limited partners (including identifying information and amounts of certain income allocable or distributable to them). A Fund limited partner's failure to provide required information may result in withholding taxes, government-imposed penalties, expulsion from such Fund and/or alternative investment vehicles or other potential remedies.

*Conflicting Investor Interests.* Investors in any Fund may have conflicting investment, tax, and other interests with respect to their investments in such Fund, including conflicts relating to the structuring of investment acquisitions and dispositions. Conflicts may arise in connection with decisions made by the relevant Manager(s) regarding an investment that may be more beneficial to one such Investor than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments, the relevant Manager(s) generally will consider the investment and tax objectives of the Fund and its Investors as a whole, not the investment, tax, or other objectives of any Investor individually.

*Need for Follow-On Investments.* Following its initial investment in a given portfolio company, a Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a portfolio company, whether for opportunistic reasons, to fund the needs of the business, as an equity cure under applicable debt documents or for other reasons. There is no assurance that any Fund will make follow-on investments or that any Fund will have sufficient funds to make all or any of such investments. Any decision by a Fund not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made). Additionally, such failure to make such investments may result in a lost opportunity for such Fund to increase its participation in a successful portfolio company, or the dilution of such Fund's ownership in a portfolio company if a third party or co-investor invests in such portfolio company.

*Investments in Middle-Market Companies.* Investment in private, middle-market companies involves a number of significant risks. Generally, little public information exists about these companies, and a Fund will rely on the Managers' and their affiliates' ability to obtain, through its own diligence and/or through third-party diligence, adequate information to evaluate the potential returns from investing in these companies. If the Managers are unable to uncover all material information about these companies, the applicable Manager may not make a fully informed investment decision, and the Fund may lose money on its investments. Middle-market companies may have limited financial resources and may be unable to meet

their obligations under the securities or loans that the Fund holds, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of the Fund realizing the proceeds of any collateral or any guarantees the General Partner may have obtained in connection with the Fund's investment. In addition, such companies typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns. Additionally, middle-market companies are more likely to depend on the management talents and efforts of a small group of persons. Therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on one or more of a Fund's portfolio companies and, in turn, on the Fund. Middle-market companies also may be parties to litigation and may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence. Investment in middle-market companies therefore involves a high degree of business and financial risk, which can result in substantial losses and, accordingly, should be considered speculative.

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

A Fund's investments may be made in currencies other than the currency in which such Fund's accounts are maintained. The value of an investment may fall substantially as a result of fluctuations in the currency of the country in which the investment is made as against the value of the currency in which a Fund's accounts are maintained. The relevant Manager may (but is not obligated to) endeavor to manage currency exposures using hedging techniques where available and appropriate. A Fund may incur costs related to currency hedging arrangements. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis, or that such hedging arrangement will achieve the desired effect.

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

*Hedging Arrangements.* A Manager is authorized (but is not obligated to) endeavor to manage a Fund's or any portfolio company's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. The applicable Fund may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter ("OTC") contexts, including futures, forwards, swaps, options and other instruments. No risk control system is fail-safe, and there can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used.

Unless otherwise specified in the applicable Governing Documents, a Fund will be permitted to engage in certain hedging transactions, which are intended to reduce the Fund's interest rate or currency exposure; *however*, there is no obligation to enter into any such transactions. Any hedging transaction in which a Fund enters may be imperfect, leaving the Fund exposed to some risk from the position that was intended to be protected. The successful use of hedging strategies depends upon the availability of a liquid market and appropriate hedging instruments and there can be no assurance that a Fund will be able to close out a position when deemed advisable by its Manager. In addition, a Fund's portfolio companies may enter into derivative transactions which may expose the Fund to additional risk.

In some cases, particularly in OTC contexts, hedging arrangements will subject a Fund to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose a Fund to additional liquidity risks.

Certain hedging arrangements may create for a Manager and/or one of its affiliates a registration obligation with the U.S. Commodity Futures Trading Commission ("CFTC") or other regulator or required it to comply with an applicable exemption. Losses may result to the extent that the CFTC or other regulatory 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.

*Significant Adverse Consequences for Default.* The Partnership Agreements will provide for significant adverse consequences in the event an Investor defaults on its Commitment or other payment obligations. In addition to losing its right to potential distributions from a Fund, a defaulting Investor may be forced to transfer its interest in such Fund for an amount that is less than the fair market value of such interest and that may be paid over a period of time set forth in the applicable Governing Documents, without interest.

*Dilution.* Investors admitted or who increase their commitments to a Fund at subsequent closings generally will participate in then-existing investments of the Fund, thereby diluting the interest of existing Investors in such investments. Although any such new Investor will be required to contribute its pro rata share of previously-made capital contributions, there can be no assurance that such contribution will reflect the fair value of such Fund's existing investments at the time of such contributions.

*General Partner's Carried Interest.* A substantial portion of the economic benefit that a Manager, its affiliates and their respective personnel expect to derive from a Fund is based on a percentage of net profits (or so-called "carried interest"). This compensation structure creates a potential incentive for such Manager to make investments on behalf of the Fund with greater income or gain potential, but which are also riskier or more speculative, than investments that such Manager would otherwise recommend in the absence of carried interest distributions. This could result in increased risk to the value of the investment portfolio. In addition, the tax rules applicable to carried interest differ from the tax rules applicable to profits earned by Fund investors. Among other differences, in order for carried interest participants to be eligible for favorable long-term capital gain rates with respect to carried interest gains attributable to an investment, a Fund must hold that investment for a longer time than is required in order for an investor to be eligible for long-term capital gain tax rates with respect to that investment. This could create an incentive for the applicable Manager to cause the Fund to hold investments for longer than it otherwise would. It could also make it more difficult for the applicable Manager and its affiliates to attract and retain investment professionals.

*Transfer by General Partner.* To the extent the relevant General Partner, its partners, the Principals and/or their respective affiliates commit to make an investment in a 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 and applicable law.

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

*Non-controlling Investments.* Certain Funds may principally hold debt obligations and other non-controlling interests in portfolio companies and, therefore, will have a limited ability to protect such Fund's position in such portfolio companies. However, the Manager of such Funds may seek appropriate creditor and shareholder rights to help protect such Fund's interest. A Fund may, through the exercise of warrants, convertible debt or otherwise, hold meaningful minority equity stakes in publicly and privately held companies and in some cases may have limited minority protection rights. In addition, during the process of exiting investments or otherwise, a Fund at times may hold minority equity stakes of any size such as might occur if portfolio holdings are taken public. As is the case with minority holdings in general, minority equity stakes that a Fund may hold will have neither the control characteristics of majority equity stakes nor the valuation premiums accorded majority or controlling equity stakes. Where a Fund holds a minority stake, it may be more difficult for such Fund to liquidate its interests than it would be had such Fund owned a controlling interest in such company. Even if a Fund has contractual rights to seek liquidity of such Fund's minority interests in such companies, it may be very difficult to sell such interests or seek a sale of such company upon terms acceptable to such Fund, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals.

*Director Liability.* A Fund will often obtain the right to appoint one or more representatives to the board of directors (or similar governing body) of the companies in which it invests. Serving on the board of directors (or similar governing body) of a portfolio company exposes any such Fund's representatives, and ultimately the Fund, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from a Fund's investment activities.

*Limitation of Recourse and Indemnification.* The Governing Documents will limit the circumstances under which the Manager and others can be held liable to the Fund or its limited partners. As a result, limited partners may have a more limited right of action in certain cases than they would in the absence of such a limitation. In addition, the Fund will be required to indemnify, among others, the Manager and their respective partners, members, managers, agents and other affiliates for liabilities incurred in connection with the affairs of the Fund (including attorneys' fees and any other litigation-related costs). The indemnification obligations of the Fund would be payable from the assets of the Fund, including the unused capital commitments of the limited partners. If the assets of the Fund are insufficient to pay such indemnification obligations, the limited partners in the Fund may be required under certain circumstances to return distributions previously made to them in order to satisfy such obligations. Such indemnification obligations could materially impact the returns to limited partners.

*Delayed Schedules K-1.* A Fund may not be able to provide final Schedules K-1 to its Investors for any given fiscal year until after April 15 of the following year. The relevant General Partner will endeavor to provide such Investors with final Schedules K-1 or with estimates of the taxable income or loss allocated to their investment in the Fund on or before such date, but final Schedules K-1 may not be available until the Fund has received tax-reporting information from its portfolio companies necessary to prepare final Schedules K-1. Investors typically are required to obtain extensions of the filing dates for their U.S. federal, state and local

income tax returns. Each prospective Investor should consult with its own adviser as to the advisability and tax consequences of an investment in any Fund.

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

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

In the event that the global credit markets deteriorate and it becomes more difficult for investment funds to obtain favorable financing for investments, a Fund's ability to generate attractive investment returns may be adversely affected to the extent the Fund is unable to obtain favorable financing terms for their investments. Moreover, to the extent that such marketplace events are not temporary and continue, they may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the United States and global economies. Such marketplace events also may restrict the ability of a Fund to realize its investments at favorable times or for favorable prices.

*Alternative Investment Fund Managers Directive.* The EU Alternative Investment Fund Managers Directive (the "AIFMD") regulates the activities of certain private fund managers undertaking fund management activities or marketing fund interests to investors within the European Economic Area ("EEA") and the United Kingdom ("UK").



To the extent Funds are actively marketed to investors domiciled or having their registered office in the EEA or the UK: (i) such Funds and their Managers are subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which will result in the relevant Funds incurring additional costs and expenses; (ii) such Funds and/or the applicable Manager(s) are subject to additional regulatory or compliance obligations arising under national law in certain EEA jurisdictions or the UK, which would result in the relevant Funds incurring additional costs and expenses or otherwise affect the management and operation of such Funds; (iii) the applicable Manager(s) will be required to make detailed information relating to such Funds and their investments available to regulators and third parties; and (iv) the AIFMD may also restrict certain activities of each relevant Fund in relation to EEA or UK portfolio companies including, in some circumstances, such Fund's ability to recapitalize, refinance or potentially restructure an EEA or UK portfolio company within the first two years of ownership, which may in turn affect operations of the Fund generally. In addition, it is possible that some jurisdictions will elect to restrict or prohibit the marketing of non-EEA funds to investors based in those jurisdictions, which may make it more difficult for each relevant Fund to raise its targeted amount of commitments.

*Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes.* There has recently been significant discussion regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on a Fund's activities, including the ability of a Fund to effectively and timely address such regulations, implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives.

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

*Business and Regulatory Risks of Private Funds and Financial Services Industry.* The U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**") has imposed significant regulations on almost every aspect of the U.S. financial services industry. Among other things, the Dodd-Frank Act requires private investment fund advisers to register with the SEC, under the Advisers Act, to maintain extensive records and to file reports if deemed necessary for purposes of systemic risk assessment by certain governmental bodies, which may add costs to the legal, operations and compliance obligations of the Managers and the Funds and increase the amount of time that the Managers spend on non-investment-related activities. Such oversight and regulation may cause a Fund to incur additional expense, may divert the attention of the Managers and may result in fines if a Fund is deemed to have violated any applicable regulations. Increased regulation may also increase the cost of acquiring, holding or divesting portfolio investments and the cost of operating a Fund. Additional regulation could also increase the risk of third-party litigation. Under the applicable Partnership Agreement, each Fund will generally be responsible for indemnifying its Managers and related parties for costs they may incur with respect to such litigation not covered by insurance.

Importantly, many of the provisions of the Dodd-Frank Act are subject to further rulemaking and to the discretion of regulatory bodies, such as the Financial Stability Oversight Council. In addition, numerous non-U.S. governments have proposed modernizing financial regulations that have called for, among other things, increased regulation of and disclosure with respect to, and the registration of, private investment funds.

This enhanced oversight and regulation, and the need for significant additional rule-making by various governmental bodies, has created uncertainty in the financial markets and, in particular, the private

investment fund industry. Many of the regulators to which a Fund, its Managers or their respective affiliates are expected to be subject globally, including governmental agencies and self-regulatory organizations, are empowered to conduct investigations and administrative proceedings that can result in fines, suspensions of personnel or other sanctions, including censure, the issuance of cease-and-desist orders or the suspension or expulsion of applicable licenses or members. Even if an investigation or proceeding did not result in a sanction or the sanction imposed against a Fund, the Managers or their respective affiliates were small in monetary amount, the adverse publicity relating to the investigation, proceeding or imposition of these sanctions could harm a Fund, its Managers or their respective affiliates' reputations, which may adversely affect a Fund's investment performance by hindering their ability to obtain favorable financing or consummate a potentially profitable investment. There is also a material risk that regulatory agencies in the United States and beyond will continue to adopt burdensome new laws or regulations (including tax laws or regulations), or change existing laws or regulations, or enhance the interpretation or enforcement of existing laws and regulations, as the United States and the global economy continues to struggle to improve. Any such events or changes could occur during a Fund's term and may adversely affect the Fund and their ability to operate and/or pursue their investment strategies. Such risks are often difficult or impossible to predict, avoid or mitigate in advance.

The Managers cannot predict whether new legislation or regulation (including new financial and tax measures, laws and regulations) will be enacted by legislative bodies or governmental agencies, nor can either of them predict what effect such legislation or regulation might have. There can be no assurance that new legislation or regulation, including changes to existing laws and regulations, will not have an adverse effect on a Fund's investment performance. In summary, regulation generally as well as regulation more specifically addressed to the private investment fund industry, including tax laws and regulation, could increase the cost of acquiring, holding or divesting of investments in portfolio companies, the profitability of enterprises and the cost of operating a Fund. There can be no assurance that any such enhanced scrutiny will not have an adverse impact on a Fund or otherwise impede a Fund's activities.

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

*Regulatory Restrictions on Investments.* Anti-money laundering, anti-boycott and economic and trade sanction laws and regulations in the United States and other jurisdictions may prevent the Managers or the Funds from entering into transactions with certain individuals or jurisdictions. The United States Department of the Treasury's Office of Foreign Assets Control ("OFAC") and other governmental bodies administer and enforce laws, regulations and other pronouncements that establish economic and trade sanctions on behalf of the United States. Among other things, these sanctions may prohibit transactions with or the provision of services to, certain individuals or portfolio companies owned or operated by such persons, or located in jurisdictions identified from time to time by OFAC. Additionally, antitrust laws in the United States and other jurisdictions give broad discretion to the U.S. Federal Trade Commission, the United States Department of Justice and other U.S. and non-U.S. regulators and governmental bodies to challenge, impose conditions on, or reject certain transactions. In certain circumstances, antitrust restrictions relating to one Fund's acquisition of a portfolio company may preclude other Funds from making an attractive acquisition or require one or more other Funds to sell all or a portion of certain portfolio companies owned by them.

As a result of any of the foregoing, a Fund may be adversely affected because of the Manager's inability or

unwillingness to participate in transactions that may violate such laws or regulations, or by remedies imposed by any regulators or governmental bodies. Any such laws or regulations may make it difficult or may prevent a Fund from pursuing investment opportunities, require the sale of part or all of certain portfolio companies on a timeline or in a manner deemed undesirable by the Managers or may limit the ability of one or more portfolio companies from conducting their intended business in whole or in part. Consequently, there can be no assurance that any Fund will be able to participate in all potential investment opportunities that fall within its investment objectives.

*Unfunded Pension Liabilities of Portfolio Companies.* Where an investment fund owns 80% or more (or possibly, under certain circumstances, less than 80%) of a portfolio company, such fund (and any other 80%-owned portfolio companies of such fund) might be found liable for certain pension liabilities of such a portfolio company to the extent the portfolio company is unable to satisfy such liabilities. Although the Managers intend to manage each Fund's investments to minimize any such exposure, a Fund may, from time to time, invest in a portfolio company that has unfunded pension fund liabilities, including structuring the investment in a manner where such Fund may own an 80% or greater interest in such a portfolio company. If such Fund (or other 80%-owned portfolio companies of such Fund) were deemed to be liable for such pension liabilities, this could have a material adverse effect on the operations of the Fund and the companies in which such Fund invests. This discussion is based on current court decisions, statute and regulations regarding control group liability under the Employee Retirement Income Security Act of 1974, as amended, as in effect as of the date of this Brochure, which may change in the future as the case law and guidance develops.

*Valuation of Investments.* Generally, the relevant Manager will determine the value of all the related Fund's investments for which market quotations are available based on publicly available quotations. However, market quotations will not be available for virtually all of a Fund's investments because, among other things, the securities of portfolio companies held by such Fund generally will be illiquid and not quoted on any exchange. When estimating Fair Value, the relevant Manager will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities ultimately may be sold. There can be no assurance that the valuation decision of a Manager with respect to an investment will represent the value realized by the relevant Fund on the eventual disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation. Accordingly, the valuation decisions made by such Manager may cause it to ineffectively manage the relevant Fund's investment portfolios and risks, and may also affect the diversification and management of such Fund's portfolio of investments. The exercise of discretion in valuation by a Manager gives rise to potential conflicts of interest, including in connection with determining the amount and timing of distributions of carried interest and the calculation of management fees.

*Litigation.* In the ordinary course of business, a Fund may be subject to litigation from time to time. The outcome of such proceedings may materially adversely affect the value of such Fund and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of the relevant Manager's time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

*Cybersecurity Risks.* The Managers, their service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the Funds and/or their limited partners, despite the efforts of the Managers and their service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of



information belonging to the Funds and their limited partners. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to these systems of the Managers, their service providers, counterparties or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of the Managers' systems to disclose sensitive information in order to gain access to the Managers' data or that of the Funds' limited partners. A successful penetration or circumvention of the security of the Managers' systems could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system, or costs associated with system repairs. Such incidents could cause the Funds, the Managers and/or the Managers' service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss. Similar operational and technology risks are also present for portfolio funds and underlying operating company holdings, which could have material adverse consequences for such portfolio funds and underlying operating companies, and may cause the Fund's investments to lose value.

*Changes in Cybersecurity and Data Protection Laws and Regulations.* The adoption, interpretation and application of consumer protection, data protection and/or privacy laws or regulations in the United States, Europe and elsewhere are often uncertain and in flux, and in some cases, laws or regulations in one country may be inconsistent with, or contrary to, those of another country. U.S. federal, state and non-U.S. government bodies or agencies have in the past adopted, and may in the future adopt, laws and regulations affecting data privacy. For example, California passed the California Consumer Privacy Act of 2018, as amended, which broadly impacts businesses that handle various types of personal data, potentially including private fund managers and their funds and investments. Industry organizations also regularly adopt and advocate for new standards in this area. Industry organizations also regularly adopt and advocate for new standards in this area. Foreign data privacy regulations, such as the EU's Data Protection Directive (Directive 95/46/EC), and the country-specific regulations that implement Directive 95/46/EC as well as the EU's General Data Protection Regulation (Regulation 2016/679), also govern the processing of personally identifiable data and may be stricter than U.S. laws. Privacy laws in general impose stringent legal and operational obligations on regulated businesses, as well as the potential for significant penalties. Privacy laws and regulations in the United States, Europe and elsewhere could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and current and planned business activities of the Managers, the Funds and/or their portfolio companies, and increase compliance costs and require the dedication of additional time and resources to compliance for such entities. A failure to comply with such privacy laws by any such entity or their service providers could result in fines, sanctions or other penalties, which could materially and adversely affect the Managers, the Funds and/or their portfolio companies, as well as have a negative impact on reputation. As Privacy Laws are implemented, interpreted and applied, compliance costs for the Managers, the General Partners, the Funds and/or their portfolio companies, are likely to increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

*Environmental, Social and Governance ("ESG") Matters.* The Firm maintains an ESG policy and seeks to integrate certain ESG factors into the Managers' investment process in accordance with their policy and subject to its fiduciary duties and any applicable legal, regulatory or contractual requirements. There is no guarantee that the Managers will be able to successfully implement this ESG policy while achieving the Fund's investment strategy. In addition, applying ESG factors to investment decisions is qualitative and subjective by nature, and there is no guarantee that the criteria utilized by the Managers, or any judgment exercised by the Managers, will reflect the beliefs or values of any particular investor. There are also significant differences in interpretations of what ESG characteristics mean by region, industry and issue, as well as the interpretations of their scope and materiality. The Managers' interpretations and decisions may differ from the views of others and could also evolve over time. In addition, in evaluating an investment, the Managers will often depend upon information and data provided by the portfolio company and/or obtained through voluntary or third-party reporting which could be incomplete, inaccurate or unavailable, and which

could cause the Managers to incorrectly assess a company's ESG practices and/or related risks and opportunities. The Managers do not intend to independently verify certain of the ESG information reported by portfolio companies or third parties. Further, considering ESG qualities when evaluating an investment could result in the selection or exclusion of certain investments based on the Managers' view of certain ESG-related and other factors and could cause the Fund not to make an investment that it would have made or to make a management decision with respect to an investment differently than it would have made in the absence of the ESG policies. For avoidance of doubt, however, the Managers do not expect to subordinate a Fund's investment returns or increase a Fund's investment risks as a result of, or in connection with, the consideration of any ESG factors. Further, ESG practices are evolving rapidly and there are different frameworks, methodologies, and tracking tools being implemented by other asset managers, and there is also a growing regulatory interest in improving transparency around how asset managers, amongst others, define, measure and disclose impact of ESG factors on the performance of the Fund. The Managers' ESG policies could become subject to additional regulation in the future, and the Managers cannot guarantee that their current approach will meet future regulatory requirements or predict the manner in which any such future requirements (including any enforcement with respect therefor) could affect a Fund or its investments, including with respect to future administrative burdens and costs.

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

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

*U.S. Taxation of Carried Interest.* U.S. federal income tax law treats certain allocations of capital gains to service providers by partnerships such as the Funds as short-term capital gain (taxed at higher ordinary income rates) unless the partnership has held the asset that generated such gain for more than three years. Additionally, Congress has considered proposed legislation that would treat certain income allocations to service providers by partnerships such as a Fund (including any carried interest) as ordinary income for U.S. federal income tax purposes that under current law are treated as an allocation of the partnership's income (and which may be taxed at lower rates than ordinary income). Such rules, as well as any such legislation that may be enacted in the future, could apply to reduce the after-tax returns of individuals associated with a Fund, its General Partner, or Comvest Credit who were or may in the future be granted direct or indirect interests in carried interest, which could make it more difficult for the relevant General Partner and its affiliates to incentivize, attract and retain individuals to perform services for a Fund. This creates potential incentives for Comvest Credit to cause a Fund to hold investments for a longer period than would be the case if such greater-than-three-year holding period requirement did not exist.

*LIBOR and other Benchmark Rates.* To the extent that a Fund's investments, borrowing facilities, hedging activities, or other assets or structures are tied to interest rates based on the London Interbank Offered Rate ("LIBOR") or other benchmark or reference rates (each, a "Benchmark Rate"), the Fund may be subject to certain material risks, including the risk that a Benchmark Rate is terminated, ceases to be published or

otherwise ceases to be broadly used by the market. Regulators, central banks, governments and other market participants are working to facilitate the transition of existing instruments and contracts away from LIBOR to new Benchmark Rates, and any such transition includes the potential to: increase volatility or illiquidity in markets; cause delays in or reductions to financing options for the Funds and their portfolio companies; increase the cost of borrowing; reduce the value of certain instruments or the effectiveness of certain hedges; cause uncertainty under applicable legal documentation; or otherwise impose costs and administrative burdens relating to factors that include document amendments and changes in systems. Future transitions to and from Benchmark Rates have the potential to have similar effects.

*Secondaries and other General Partner-Led Transactions.* There continues to be a significant market in the private fund sector for secondary sales, General Partner-led transactions, continuation funds, successor fund investments and other transactions for the disposition of investments and Comvest Credit reserves the right to dispose of (or seek additional capital for) Fund investments through such means. Many of these transactions involve an auction process run by an investment bank and a buyer (or buyer group) that agrees to purchase a portion of one or more investments that will continue to be managed by Comvest Credit following the transaction. Such transactions are undertaken for various reasons, including, for example, to balance competing interests between offering liquidity to existing limited partners and maintaining exposure to an asset where Comvest Credit believes there is the potential for additional value generation. Where undertaken, existing limited partners typically are offered certain options relating to receiving liquidity from the transaction or continuing to maintain exposure to the asset, assets or a new portfolio of assets (including a portfolio that combines assets from multiple Funds sponsored by the Comvest Credit and its affiliates), often on different terms than the original investment. However, certain of such transactions are expected to require a limited partner to invest additional capital in the existing Fund and/or other investment vehicles, a greater exposure to one or more particular portfolio company, and/or a delay in the full liquidation of its investment. In other circumstances, even limited partners that elect to continue to hold a direct or indirect interest in the relevant portfolio company will have their interest adjusted as if distributed (i.e., a portion of such interest will be allocated to the relevant General Partner to the extent of its right to receive carried interest, if any), effectively diluting their interests.

Each of these transactions has the potential for conflicts between the interests of a Fund or limited partner and those of Comvest Credit or any buyer group that typically are not applicable to more traditional investment sales. For example, in circumstances where Comvest Credit or an affiliate will continue to manage and receive fees and/or performance-based compensation relating to the subject assets following the transaction (potentially in addition to performance-based compensation earned by the relevant General Partner on the sale of an asset from an existing Fund in such transaction), their incentives are expected to diverge from those of limited partners who elect to sell their interests. Similarly, there are potential conflicts of interest among the selling Fund, Comvest Credit, the relevant General Partner and any buyer group relating to the valuation and consideration offered for the investment(s) subject to the transaction. To the extent Comvest Credit requires existing limited partners and/or new buyers to commit capital to a continuation fund or another Fund managed by Comvest Credit in addition to the purchase amount paid in a transaction, such requirement is expected to have a negative effect on the purchase price for the selling Fund and its limited partners. There can be no assurance that any such transaction will accurately reflect the fair market value of the Fund investment(s) being sold. Further, the relevant General Partner is expected to be incentivized to make investments in portfolio companies with the view of holding such investments for longer periods of time or to make investments that it would not otherwise have made if the possibility of liquidity through a secondary transaction did not exist. Where co-investors historically have been invested in an investment subject to such a transaction, there can be no assurance that they will receive the same liquidity or other options as limited partners in the relevant Fund, and in such circumstances Comvest Credit reserves the right to compel co-investors to receive cash or continue to hold an interest in the relevant investment. In other circumstances, certain limited partners will not be permitted to continue to maintain exposure to the asset(s) due to a lack of eligibility to invest in a continuation vehicle under relevant securities, tax or other

considerations. Although relevant potential conflicts of interest are disclosed to limited partners and/or the relevant advisory committee prior to the closing of the transaction, there can be no assurance that Comvest Credit will successfully identify all conflicts of interest or resolve or mitigate all such conflicts of interest in favor of Fund or any individual limited partner or group of limited partners. However, Comvest Credit reserves the right, in its sole discretion, to determine to engage in such transactions, subject to any approvals required in the relevant Governing Documents. Comvest Credit is permitted to seek the consent of the relevant Fund advisory committee to approve conflicts associated with such transactions and accordingly not all limited partners will necessarily be able to approve or disapprove of such transactions. Similar to any prospective sale or disposition of Fund investments, to the extent such transactions are not consummated, the Fund is expected to bear all of the related costs in the absence of an agreement with other parties to bear a portion of such costs.

### **Lending Strategy Specific Risks**

*Volatility of Leveraged Loan and Credit Markets.* Significant risks for a Fund and its limited partners exist as a result of the potential for disruptions in the credit markets. These risks include, among others, (i) the likelihood that the Fund may find it more difficult to sell any of its investments in the secondary market, thus rendering it more difficult to dispose of such investments if and when it desires to sell them, (ii) the possibility that the price at which investments can be sold by the Fund will have deteriorated from the cost of such investment to the Fund, (iii) the possibility of accelerated prepayments of attractively priced (i.e., the all-in yield), structured or performing investments as a result of increased liquidity and competition in the middle-market private debt asset class driven by economic conditions, relative performance, monetary policy or other governmental action or other factors and (iv) the impact of adverse economic conditions on the obligors of the Fund's investments. These risks may affect the returns, if any, to the Fund's limited partners or the ability of the Fund to return any or all of its limited partners' capital contributions.

Disruptions in the credit markets may reduce opportunities for a Fund to make investments, and may also heighten refinancing risk in respect of maturing Fund investments. Any events that cause a deterioration in loan performance generally may affect the returns, if any, to a Fund's limited partners or the ability of the Fund to return any or all of its limited partners' capital contributions.

The bankruptcy or insolvency of a major financial institution may have a material adverse effect on a Fund, particularly if such financial institution is the administrative agent of an investment or is otherwise the counterparty to a contract with the Fund (including a hedging-related contract). In addition, the bankruptcy, insolvency or financial distress of one or more additional financial institutions, or one or more sovereigns, could trigger additional disruptions in the global credit markets or the global economy which could have a material adverse effect on a Fund and its investments.

*Nature of Investments.* A Lending Strategy Fund will invest primarily in secured loans and other structured financings, including convertible debt, equity linked notes, private investments in public equity, cash flow-based loans, asset-based loans and similar investments, of middle-market companies. The value of such securities is predicated on the underlying cash flow and assets of such companies, including the value of goodwill, each of which may be subject to greater volatility, illiquidity and risk than large capitalization companies. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, the Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the Fund. A Lending Strategy Fund generally intends to obtain security interests in assets of its portfolio companies, but the protection obtained through such interests may be inadequate to return all capital invested by the Fund, especially in cases in which the loan is primarily based on the portfolio company's cash flow. The value of the investment may change over the life of an instrument. Interest rate changes may also affect the value of a debt instrument directly (particularly in the case of instruments the

rates of which are adjustable) and indirectly (particularly in the case of fixed rate securities). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules. The companies and securities in which the Fund will invest generally will not be rated by a credit rating agency.

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

*Assignments.* Lending Strategy Funds may purchase assignments, which are arrangements whereby a creditor assigns an interest in a loan to the Fund. The purchaser of an assignment typically succeeds to all the rights and obligations of the assignor of the loan and becomes a lender under the loan agreement and other operative agreements relating to the portfolio investment. Assignments are, however, arranged through private negotiations between potential assignees and potential assignors, and the rights and obligations acquired by the purchaser of an assignment may differ from, and be more limited than, those held by the assignor of the loan. In contrast to the rights of the Fund as an owner of a participation, as described below, the Fund, as an assignee, will generally have the right to receive directly from the obligor all payments of principal, interest and any fees to which it is entitled. In some assignments, the obligor may have the right to continue to make payments to the assignor with respect to the assigned portion of the loan. In such a case, the assignor would be obligated to receive such payments as agent for the Fund and to promptly pay over to the Fund such amounts as are received. As a purchaser of an assignment, the Fund typically will have the same voting rights as other lenders under the applicable loan agreement and will have the right to vote to waive enforcement of breaches of covenants. The Fund will also have the same rights as other lenders to enforce compliance by the obligor with the terms of the loan agreement, to set off claims against the obligor and to have recourse to collateral supporting the portfolio investment. As a result, the Fund may not bear the credit risk of the assignor and the insolvency of an assignor of a loan should have little effect on the ability of the Fund to continue to receive payments of principal, interest or fees from the obligor. The Fund will, however, assume the credit risk of the obligor.

*Loan Origination.* From time to time, a Lending Strategy Fund expects to offer participations in and/or assignments or sales of loans (or interests therein) to certain affiliated fund or accounts of the Firm that the Fund has originated or purchased, generally after the expiration of a required holding period at an arm's-length price determined as of the end of such holding period. In determining the target amount to allocate to a particular loan origination, the Fund will take into consideration the fact that it anticipates selling, assigning or offering participations in such investment to such funds or accounts. To the extent that the Fund is not successful in consummating any such participation, assignment or sale, and during any applicable holding period, the Fund will be forced to hold such excess until such time as it can be disposed of, during which



time the Fund may be “overweighted” with respect to a particular borrower.

*Nature of Investment in Senior Debt.* A Lending Strategy Fund’s investments will primarily include first lien and, to a lesser extent, junior secured debt. Such debt may (i) include term loans and revolving loans, (ii) pay interest at a fixed or floating rate and (iii) be acquired by way of purchase or assignment in the primary and secondary markets. The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a contracting party under the legal documentation with respect to the debt obligation, although its rights can be more restricted than those of the assigning institution.

The factors affecting an issuer’s first and second lien loans, and its overall capital structure, are complex. Some first lien loans may not necessarily have priority over all other unsecured debt of an issuer. For example, some first lien loans may permit other secured obligations (such as overdrafts, swaps or other derivatives made available by members of the syndicate to the company) or involve first liens only on specified assets of an issuer. Issuers of first lien loans may have two tranches of first lien debt outstanding, each with first liens on separate collateral. Second lien loans are subordinate in right of payment to one or more senior secured loans of the related issuer and therefore are subject to additional risk that the cash flow of the related issuer and the collateral securing the loan may be insufficient to repay the scheduled payments to the Fund after giving effect to any senior secured obligations of the related issuer. Second lien senior loans are also expected to be more illiquid than first lien senior secured loans for this reason. Moreover, there is less likelihood that the Fund will be able to sell participations in second lien loans that it originates or acquires, which would expose the Fund to higher risk with respect to the issuer.

Senior secured credit facilities may be syndicated to a number of different financial market participants. The documentation governing these facilities typically requires either a majority consent or, in certain cases, unanimous approval for certain actions with respect to the outstanding loans, such as waivers, amendments or the exercise of remedies. In addition, voting to accept or reject the terms of a credit restructuring pursuant to a Chapter 11 plan of reorganization is usually done on a class basis. As a result of these voting regimes, a Fund may not have the ability to control any decision as it relates to an amendment, waiver, exercise of remedies, restructuring or reorganization of an investment.

Further, senior secured loans are subject to other risks and can cause unsecured creditors to seek remedies to limit a Fund’s potential recovery from such investments, including (i) the possible invalidation of a debt or lien as a “fraudulent conveyance”; (ii) the recovery as a “preference” of liens perfected or payments made on account of a debt in the 90 days before a bankruptcy filing; (iii) equitable subordination claims by other creditors; (iv) “lender liability” claims by the issuer of the obligations; (v) environmental liabilities that may arise with respect to collateral securing the obligations; (vi) recharacterization claims in which certain creditors may seek to have the Fund’s debt investments recharacterized as equity and therefore subordinate the Fund’s claims to such creditors’ claims; and (vii) designating the vote (i.e., ignoring the customary class vote system) under a Chapter 11 plan of reorganization in which lenders are entitled to vote as a class.

*Nature of Investment in Unitranche Debt.* A Lending Strategy Fund may also invest in unitranche debt, which is an instrument that combines senior secured debt and subordinated debt into a single debt instrument. Unitranche loans are subject to similar risks associated with loans in general described above under “Leveraged Investments” and “Nature of Investment in Senior Debt.” In addition, because unitranche loans are a newer form of debt instrument and they have not been fully evaluated through a credit cycle, they may subject the Fund to risks that cannot be fully identified at this time. Further, the complex terms of unitranche debt have not yet been widely tested in bankruptcy and workout situations. As a result, default and loss expectations are more difficult to estimate with respect to unitranche debt as compared to other forms of debt instruments such as senior loans and subordinated debt instruments. In particular, in a bankruptcy proceeding involving a unitranche loan, there is a risk that the entire unitranche loan will be viewed as a single secured claim. If the collateral is insufficient to secure the entire unitranche loan, it may be deemed as an unsecured claim in its entirety. The untested nature of unitranche loan arrangements also exposes the Fund to a

heightened risk of litigation among the lender group in the event of bankruptcy.

Unfunded Loans. A Lending Strategy Fund's investments may be comprised of loan commitments that are unfunded at the time of investment. A loan commitment is a written agreement in which the lender commits itself to make a loan or loans up to a specified amount within a specified time period. The loan commitment sets out the terms and conditions of the lender's obligation to make the loans. The portion of the amount committed by a lender under a loan commitment that the borrower has not drawn down is referred to as "unfunded." A lender typically is obligated to advance the unfunded amount of a loan commitment at the borrower's request, subject to certain conditions regarding the creditworthiness of the borrower. Borrowers with deteriorating creditworthiness may continue to satisfy their contractual conditions and therefore be eligible to borrow at times when the lender might prefer not to lend. In addition, a lender may have assumptions as to when a company in which the Fund invests may draw on an unfunded loan commitment when the lender enters into the commitment. If the borrower does not draw as expected, the commitment may not prove as attractive an investment as originally anticipated. Further, any failure to advance requested funds to a company in which the Fund invests could result in possible assertions of offsets against amounts previously lent.

Prepayment Risk. Loans are generally prepayable in whole or in part at any time at the option of the obligor at par plus accrued and unpaid interest thereon, and occasionally plus a prepayment premium. Prepayments on loans may be caused by a variety of factors which are often difficult to predict. Consequently, there exists a risk that loans purchased at a price greater than par may experience a capital loss as a result of such a prepayment. When credit market conditions become more attractive to obligors, the rate of prepayment of a Fund's assets would be expected to increase as obligors refinance to take advantage of such improved conditions, which may negatively impact the Fund. Additionally, a Fund may be unable to reinvest any prepaid loan amounts into other similarly situated investment opportunities or at all.

Loan Syndication. A Fund may originate loans with the intention of selling a portion of the Fund's interests in such loans to co-investors and/or third parties. In the event that a Fund does not or is unable to syndicate a loan or loans, the Fund may be forced to retain larger amounts of such loan or loans than originally intended. In such event, the Fund's investment portfolio could become significantly concentrated in a particular loan or loans. In addition, the Managers may receive fees as a result of the loan syndication. Unlike Supplemental Fees, which might be shared with the applicable Fund through reductions or offsets against the Management Fees, syndication fees typically are retained by the Managers.

Season and Sell. It is anticipated that participations in certain portions of loans originated or purchased by a Fund and other interests may be offered for sale by a Fund to an affiliated, offshore fund or another vehicle set up to facilitate investment by non-U.S. and certain other investors ("Participating Fund"). Any such sale of participations or other interests will be subject to strict guidelines and will generally be made after the expiration of a predetermined holding period and generally at fair value as determined as of the end of such holding period; *however*, the partners of the General Partner and Investment Committee members will have a profits interest in both the Fund and the Participating Fund, and the interests of the Limited Partners and the partners of the General Partner and/or Investment Committee members will not be completely aligned and may, at times, be in conflict. During the period of time that a Fund holds such loans prior to any sale to a Participating Fund, such loans may decline in value. In addition, there is no assurance that such loans will be purchased by a Participating Fund and, absent such purchases, a Fund may have a longer than anticipated exposure to such loans. While such participation will be the only source of investments available to a Participating Fund, a Participating Fund will not be bound to accept any such offer.

Risk of Borrower Default. The return of principal of a Fund's loans will depend in large part on the creditworthiness and financial strength of the borrowers of such loans, all or a portion of which borrowers may not be cash flow positive and/or may not have generated substantial revenue at the time of the Fund's investment therein. The Managers intend to monitor on an ongoing basis the creditworthiness of borrowers

of loans in which a Fund will invest. If there is a default by the borrower under any of the Fund's loans, the applicable Managers will under most circumstances have contractual remedies pursuant to the loan agreements, potentially including the sale of collateral. However, exercising such contractual rights may involve delays or costs, and any available collateral may prove to be unsaleable or saleable only at a price less than the loan amount, which could result in a loss to the Fund. A default by the borrower under any of a Fund's loans may result in the Fund being unable to liquidate such loans prior to the termination of the Fund (including in connection with any necessary restructuring of such loans). As a result, upon the termination of a Fund, its limited partners may receive in-kind distributions in respect of such loans and may be unable to protect their interests effectively.

*Priority of Repayment.* The characterization of an investment as senior debt or senior secured debt does not mean that such debt will necessarily have repayment priority with respect to all other obligations of a borrower. Borrowers may have, and/or may be permitted to incur, other debt and liabilities that rank equally with or senior to the senior loans in which a Fund invests. If other indebtedness is incurred that ranks in parity in right of payment or proceeds of collateral with respect to senior loans in which a Fund invests, the Fund would have to share on an equal basis any distributions with other creditors in the event of a liquidation, reorganization, insolvency, dissolution or bankruptcy of such a borrower. Where a Fund holds a first lien to secure senior indebtedness, the borrowers may be permitted to issue other senior loans with liens that rank junior to the first liens granted to the Fund. The intercreditor rights of the holders of such other junior lien debt may, in any liquidation, reorganization, insolvency, dissolution or bankruptcy of such a borrower, affect the recovery that the Fund would have been able to achieve in the absence of such other debt.

Even where the senior loans held by a Fund are secured by a perfected lien over a substantial portion of the assets of a borrower and its subsidiaries, the borrower and its subsidiaries will often be able to incur a substantial amount of additional indebtedness, which may have an exclusive lien over particular assets. For example, debt and other liabilities incurred by non-guarantor subsidiaries of borrowers will be structurally senior to the debt held by a Fund. Accordingly, any such debt and other liabilities of such subsidiaries would, in the event of liquidation, dissolution, insolvency, reorganization or bankruptcy of such subsidiary, be repaid in full before any distributions to an obligor of the loans held by the Fund. Furthermore, these other assets over which other lenders have a lien may be substantially more liquid or valuable than the assets over which a Fund has a lien. A Fund's investments in second-lien secured debt would further compound the risks described in this paragraph.

*Enforcement Delays.* The terms of a Fund's investments may provide that the Fund is not able to bring an enforcement action against the relevant borrower until a prescribed period after a default by that borrower has elapsed. The financial strength of the borrower may, however, continue to deteriorate during this standstill period, thereby potentially affecting the Fund's ability to recover all (or any) of their investment.

*Fraud, Misrepresentation or Omission by a Borrower.* The value of an investment made by a Fund may be affected by fraud, misrepresentation or omission on the part of the borrower to which the loan relates, by parties related to the borrower or by other parties to the loan (or related collateral and security arrangements). Such fraud, misrepresentation or omission may adversely affect the value of the collateral underlying the loan in question or may adversely affect a Fund's ability to enforce its contractual rights under the loan or for the borrower of the loan to repay the loan or interest on it or its other debts.

*Loan Participations.* A Fund may invest in loans acquired through assignment or participations. In purchasing a participation, a Fund may only have a contractual relationship with the selling institution, and not the borrower. The Fund generally will have no right directly to enforce compliance by the borrower with the terms of any such loan agreement, nor any rights of set-off against the borrower, nor will it have the right to object to certain changes to the loan agreement agreed to by the selling institution. The Fund may not directly benefit from the collateral supporting the related secured loan and may not be subject to any rights of set-off the borrower has against the selling institution. In the event of the insolvency of the selling



institution, the Fund may be treated as a general creditor of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution's interest in, or the collateral with respect to, the secured loan. Consequently, the Fund may be subject to the credit risk of the selling institution as well as of the borrower.

*Creation and Perfection of Security Interests.* Although a Lending Strategy Fund will focus primarily on senior secured loans, the collateral and security arrangements in relation to such loans will be subject to such security or collateral having been correctly created and perfected and any applicable legal or regulatory requirements which may restrict the giving of collateral or security by a borrower under a loan, such as, for example, thin capitalization, over-indebtedness, financial assistance and corporate benefit requirements. If the loans in which the Fund invests do not benefit from the expected collateral or security arrangements, it may affect the value of the investments made by the Fund.

*Inadequate Collateral or Security.* If a default were to occur in relation to a loan in which a Fund has invested, and the Fund exercises its rights to enforce the collateral or security arrangements that support the loan, the value of recoveries under those arrangements may be smaller than the value of the Fund's investment in the loan (whether due to external factors such as changes in the market for the assets to which the security or collateral relates, general economic conditions or otherwise). In the event of any default on a Fund's investments by a borrower, the Fund will bear a risk of loss of principal and accrued interest on the loan, which could have a material adverse effect on the Fund's investment. In the case of secured loans, foreclosure can be an expensive and lengthy process which could have a material negative effect on the Fund's anticipated return on the foreclosed loan. By way of example, it would not be unusual for any costs of enforcement to be paid out in full before the repayment of interest and principal. This could substantially reduce the Fund's anticipated return on the foreclosed loan. The level of defaults in the Fund's investment portfolio and the losses suffered on such defaults may increase in the event of adverse financial or credit market conditions.

*Securitization Vehicles.* A Fund's investments may include collateralized loan obligation products and other securitization vehicles payable solely from the underlying assets ("**Securitization Assets**") of an obligor or the proceeds thereof, including securitization vehicles formed by the Fund to leverage assets of the Fund. Consequently, holders of equity or other instruments or obligations issued by securitization vehicles must rely solely on distributions on the Securitization Assets or proceeds thereof for payment in respect thereof. The Securitization Assets may include, without limitation, broadly syndicated leverage loans, middle market bank loans, collateralized debt obligation debt tranches, trust preferred securities or instruments, insurance surplus notes, asset-backed securities or instruments, mortgages, high-yield bonds, mezzanine debt, second lien leverage loans, credit default swaps, emerging market debt and corporate bonds, which are subject to liquidity, market value, credit, interest rate, reinvestment and certain other risks. As described in greater detail below, securitization vehicles will typically be actively managed by the Manager or its affiliate, in its capacity as the collateral manager (the "**Collateral Manager**"), and as a result, the Securitization Assets will be traded, subject to rating agency and other constraints, by the Collateral Manager. The aggregate return on a Fund's investment in securitization vehicles will depend in part upon the Collateral Manager's ability to actively manage the related portfolio of Securitization Assets.

Securities issued by securitization vehicles represent leveraged investments in the Securitization Assets held by the securitization vehicle issuer. The use of leverage creates risk for the holders of securitization vehicle securities because the leverage increases their exposure to losses with respect to the Securitization Assets. These risks are magnified when the Fund invests in subordinated securitization vehicle securities, as described below under "Risk Relating to Equity in Securitization Vehicles." As a result, the occurrence of defaults with respect to only a small portion of the assets could result in the substantial or complete loss of the investment in the securitization vehicle securities.

Further, the investments made by a Fund through securitization vehicles may involve a high degree of

business and financial risk. This risk could arise from changes in the financial condition or prospects of the securitization vehicle, changes in national or international economic and market conditions, and changes in laws, regulations, fiscal policies or political conditions of countries in which investments are made.

Securitization vehicles are extremely complex and are subject to a number of other risks related to, among other things, the rate of defaults and recoveries in the Securitization Assets, pre-payment rates, terms of Securitization Assets purchased to replace Securitization Assets that have pre-paid, the exercise of remedies by more senior securities issued by the securitization vehicles, and the possibility that no market will exist if the Fund chose to sell its interests in securitization vehicles or cause a sale of Securitization Assets.

*Breach of Covenant.* Each Fund will generally seek to obtain structural, covenant and other contractual protections with respect to the terms of its investments as determined appropriate under the circumstances. There can be no assurance that such attempts to provide downside protection with respect to its investments will achieve their desired effect and potential investors should regard an investment in a Fund as being speculative and having a high degree of risk

*Risk Relating to Equity in Securitization Vehicles.* A Fund's investments may include direct or indirect equity interests in a securitization vehicle ("**Securitization Vehicle Equity**"). Securitization Vehicle Equity represents residual or other subordinated interests in the securitization vehicle issuer. Securitization Vehicle Equity is payable solely from the available proceeds from the Securitization Assets held by the securitization vehicle. Securitization Vehicle Equity is not secured and the Fund would have to rely solely upon distributions on the Securitization Assets for repayment. If distributions on such assets are insufficient to pay fees and expenses, to make payments on the debt securities of the securitization vehicle or to pay distributions on the Securitization Vehicle Equity in accordance with the applicable priority of payments, no other assets will be available for the payment of the deficiency.

Payments of principal of, and interest on, secured notes issued by securitization vehicles, and dividends and other distributions on Securitization Vehicle Equity, are subject to such securitization vehicle's priority of payments. Securitization Vehicle Equity is subordinated to the prior payment of all obligations under debt securities issued by a securitization vehicle. Thus, the greatest risk of loss relating to defaults on the Securitization Assets held by securitization vehicles is borne by the Securitization Vehicle Equity.

*Insolvency Considerations.* Any investments held by a Fund may be subject to various laws enacted in the home country, jurisdiction or state of the applicable portfolio company borrower for the protection of creditors. Insolvency considerations may differ depending on the jurisdiction in which each borrower is formed and/or located and may differ depending on whether the borrower is a non-sovereign or a sovereign entity. If a court in a lawsuit brought by an unpaid creditor or representative of creditors of a borrower entity, such as a trustee in bankruptcy, were to find that the borrower did not receive fair consideration or reasonably equivalent value for incurring the indebtedness constituting such investment and, after giving effect to such indebtedness, the borrower: (i) was insolvent, (ii) was engaged in a business for which the remaining assets of such borrower constituted unreasonably low capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could invalidate, in whole or in part, such indebtedness as a fraudulent conveyance, subordinate such indebtedness to existing or future creditors of the borrower, or recover amounts previously paid by the borrower in satisfaction of such indebtedness. The measure of insolvency for purposes of the foregoing will vary. There can be no assurance as to what standard a court would apply in order to determine whether the borrower was "insolvent" after giving effect to the incurrence of the indebtedness constituting the investment, or that, regardless of the method of valuation, a court would not determine that the borrower was "insolvent" upon giving effect to such incurrence. In addition, in the event of the insolvency of a portfolio company borrower, payments made on the applicable loan could be subject to avoidance as a "preference" if made within a certain period of time (which may be as long as one year and one day) before insolvency. In addition, if a portfolio company borrower is the subject of a bankruptcy proceeding, payments to a Fund with respect to such investment may

be delayed or diminished as a result of the exercise of various powers of the bankruptcy court including the following: (A) an “automatic stay,” under which the Fund will not be able to institute proceedings or otherwise enforce its rights against the portfolio company or obligor with respect to the Fund’s investment without permission from the court; (B) conversion by the bankruptcy court of the Fund’s investment into more junior debt or into an equity obligation of the portfolio company thereof or obligor thereon; (C) modification of the terms of the Fund’s investment by the bankruptcy court, including reduction or delay of the interest or principal payments thereon; and (D) grant of a priority lien to a new money lender to the portfolio company of, or obligor on, the applicable loan.

*Lender Liability Considerations; Equitable Subordination.* A number of judicial decisions in the United States have upheld the right of borrowers to sue lenders or bondholders on the basis of various evolving legal theories (collectively termed “lender liability”). Generally, lender liability is founded upon the premise that an institutional lender or bondholder has violated a duty (whether implied or contractual) or good faith and fair dealing owed to the borrower or issuer or has assumed a degree of control over the borrower or issuer resulting in the creation of a fiduciary duty owed to the borrower or issuer or its other creditors or shareholders. Although the Funds do not intend to engage in conduct that the Managers expect would form the basis for a successful cause of action based upon lender liability, the potential for such a cause of action exists. In addition, under common law principles that in some cases form the basis for lender liability claims, if a lender or bondholder (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors, a remedy called “equitable subordination.” Although the Funds do not intend to engage in conduct that the Managers expect would form the basis for a successful cause of action based upon the equitable subordination doctrine, the potential for such a cause of action exists. The preceding discussion is based upon principles of United States federal and state laws. Insofar as subsidiaries of the Fund or investments are formed under the laws of foreign jurisdictions, the laws of such foreign jurisdictions may impose liability upon lenders or bondholders under factual circumstances similar to those described above, with consequences that may or may not be analogous to those described above under United States federal and state laws. In the event that a Fund operates as a “venture capital operating company” and is required to exercise its management rights, the risk of liability under one or more of the foregoing causes of action may be increased. Any such claim, if determined adversely to a Fund, could have a material adverse effect on the Fund’s returns to its partners.

*Usury Considerations.* The loans made by a Lending Strategy Fund are subject to the provisions of various background laws, including state usury laws, which may limit the amount of interest, broadly defined, that may be charged with respect to a loan. The violation of applicable usury laws may lead to financial penalties, rescission rights or other borrower remedies. Although the Fund does not intend to engage in conduct that it expects would violate any applicable usury laws, the potential exists for a borrower to assert that the usury laws of particular jurisdiction apply to a loan transaction.

## **Conflicts of Interest**

At any given time, the Managers will typically manage several other Private Investment Funds in addition to a given Fund, which are likely to include investments similar to those in which it will be investing or have investments in portfolio companies in the form of securities or other investments that are not the principal focus of such Fund, and expect to direct certain relevant investment opportunities or resources to those Private Investment Funds and with respect to such investments. Comvest Credit personnel reserve the right to manage their own personal investments, whether or not through a formal family office or estate planning

structure, to establish trusts, endowments, charitable programs, foundations or similar arrangements, and to pay or receive compensation relating to the foregoing. To the extent an investment opportunity is received that is unsuitable for a Fund, in Comvest Credit's sole discretion, Comvest Credit and its personnel reserve the right to refer such opportunity to third parties or to make personal investments in the relevant opportunity. Except as required by the relevant Governing Documents, the Managers are not obligated to recommend any investment to any particular Private Investment Fund. In the event such other Private Investment Funds have made investments in portfolio companies that a given Fund is also interested in, the Governing Documents may prohibit investments in such portfolio companies by the Fund without consent of the Fund's advisory board. If such consent is obtained, the Fund and such other Private Investment Funds will have the right to purchase different classes of debt and/or equity of the same portfolio company. In addition, the Managers expect that certain of the Funds generally will concurrently invest with other Private Investment Funds. Such concurrent investments, if they occur, include the possibility of being in the debt of a portfolio company in which another Private Investment Fund concurrently purchases equity. If such debt investments are made, certain specific contractual restrictions as set forth in the applicable Governing Documents will potentially apply. These and other investments create potential conflicts of interest, particularly because a Manager and its affiliates could potentially take certain actions for some Private Investment Funds or affiliates with respect to one class of debt or equity that would be adverse to other Private Investment Funds or affiliates who hold other classes of debt or equity of the same portfolio company. In such cases, such Manager and its affiliates will seek to act in a manner it believes to be fair to the applicable Private Investment Funds under the circumstances over time.

In determining how to allocate a particular investment opportunity among Funds managed by the Firm (including Comvest and Commonwealth Credit), the applicable Manager generally assesses whether an investment opportunity is appropriate for a particular Fund based on the Fund's Governing Documents and other factors, including but not limited to: whether the risk-return profile of the proposed investment is consistent with a Fund's investment objectives or current investment strategies, such as objectives or strategies regarding current and total return requirements, exposure to the proposed investment, or degree and nature of diversification; the size, liquidity, duration and the capital structure of the investment opportunity, including minimum investment amounts and the source of the opportunity; whether the investment opportunity is a follow-on investment; avoiding a de minimis allocation; capital available or expected to be available for investment by the applicable Funds, including adjustments for reserves for follow-ons and expenses, and target fund size for funds which are still raising capital; potential conflicts of interest, including whether a Fund has an existing investment in the proposed investment; the potential for the proposed investment to create an imbalance in a Fund's portfolio; the liquidity requirements and considerations of a Fund, including during a ramp-up or wind-down of one or more Funds, remaining investment period and term, as well as the expected duration of the investment; potential tax consequences; legal, accounting, contractual or regulatory restrictions that would or could limit a Fund's ability to participate in a proposed investment; availability and degree of leverage and any requirements or other terms of any existing leverage facilities; the need to re-size risk in a Fund's portfolio; minimum or maximum investment size requirements of a Fund; and current and anticipated market and general economic conditions. For example, a newly organized Fund generally will seek to purchase a disproportionate amount of investments in order to obtain its desired risk and portfolio size. Also, in light of certain differences in investment strategy among the Control Strategy Funds it is the Firm's policy that certain of those Funds (to the extent such Funds continue have the ability to make investments under the relevant Governing Documents) will have priority on any equity investment opportunity in excess of a specified deal size. In certain circumstances, during the period that a portfolio company is owned by a Fund, it could acquire size, revenue or other characteristics that would make it a suitable investment for one or more other Funds managed by the Firm.

The Managers reserve the right to offer co-investment opportunities to one or more potential co-investors, as

determined by the Funds' Governing Documents, side letters and the Managers' procedures regarding allocation. The Managers' procedures permit it to take into consideration a variety of factors in making such determinations, including but not limited to: expressed interest in co-investment opportunities, including perceived intensity of that interest; perceived ability to approve the investment pursuant to any applicable internal approval processes (including the predictability of the potential co-investor's investment process), and to otherwise execute the transaction in a timely manner; tax, regulatory, securities laws and/or other legal considerations (e.g., qualified purchaser or qualified institutional buyer status); confidentiality concerns that may arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity; the Manager's perception of whether the investment opportunity may subject the prospective co-investor to legal, regulatory, reporting, or other burdens that make it less likely that the prospective co-investor would act upon the investment opportunity if offered or would impair the ability to execute the relevant transaction in the desired time or on desired terms; the size of the investment allocation available to co-investors, and the practicality of splitting the allocation into smaller tranches; the ability of the potential co-investor to invest an amount of capital that is consistent with the needs of the investment, taking into account the amount of capital reasonably expected to be needed (including for potential add-on acquisitions and other potential additional investments) and the maximum number of investors that can realistically participate in the transaction; any requirements of any third-party lenders as to the identity of any investors participating as co-investors, or as to the creditworthiness of any co-investors, or as to the number of co-investors, or as to other matters with respect to the investors in the transaction; whether the potential co-investor is considered "strategic" to the investment because it is able to offer a Fund or a Manager certain benefits, including, but not limited to, the ability to help consummate the investment, the ability to aid in operating or monitoring the investment, or whether the relevant Manager believes that allocating investment opportunities to an investor or person will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds or to the Firm; whether the potential co-investor has a history of consummating co-investment opportunities with the Firm; whether the potential co-investor has the financial and operational resources and other relevant wherewithal to evaluate and participate in a co-investment opportunity; the likelihood that the potential co-investor would require governance rights that would complicate or jeopardize the transaction (or, alternatively, where the investor would be willing to defer to the applicable Manager and assume a more passive role in governing the investment); whether the potential co-investor has any interests in any competitor of the underlying investment; the size of potential co-investor's interest to be held in the underlying portfolio company as a result of a Fund's investment (which is likely to be based on the size of the potential co-investor's capital commitment and/or investment in such Fund); whether the potential co-investor has any known investment policies and restrictions, guideline limitations or investment objectives that are relevant to the transaction; the extent to which a potential co-investor has previously been provided a greater amount of co-investment opportunities relative to other potential co-investors; expected investment holding period; services provided by the potential co-investor to the issuer of the investment (or otherwise provided by the potential co-investor with respect to the investment); and the likelihood that the potential co-investor may invest in a future Fund. Co-investment opportunities typically will be offered to some and not to other Investors, and the consideration of the factors set forth above likely will result in certain Investors receiving multiple opportunities to co-invest while others expressing interest in co-investments have the potential to receive none. The Managers reserve the right to grant certain third-party investors the opportunity to evaluate specified amounts of prospective co-investments in Fund portfolio companies or otherwise to have priority in co-investment opportunities. There can be no assurance that any Fund's return from a transaction would be equal to and not less than another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

The Firm's employees and related persons have, and are expected to continue to have, capital investments in or alongside certain Funds, or in prospective investments directly or indirectly, and therefore potentially have conflicting interests in connection with these investments. While the significant interests of the officers and



employees of the Firm generally aligns the interest of such persons with the Funds, such persons will potentially have differing interests from the Funds with respect to such investments (for example, with respect to the availability and timing of liquidity events). The Firm generally will determine all matters relating to structuring transactions, including the amount and terms of securities and allocation of securities among the Firm's entities, using its best judgment considering all factors it deems relevant, but nonetheless in its sole discretion.

Notwithstanding the foregoing, prior to making an allocation of an investment opportunity to the Funds, the applicable Manager(s) will, under certain circumstances, determine that a portion of the overall investment opportunity should be offered to one or more strategic investors. For these purposes, a "strategic investor" is an investor that the applicable Manager(s) view as offering the applicable Funds short or long-term benefits, including, but not limited to, the ability to help consummate the investment, the ability to aid in operating or monitoring the investment, and whether the applicable Manager(s) believes that allocating investment opportunities to an investor or person will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds, such as the possibility of such investor offering investment opportunities to the relevant Funds in the future.

The allocation of investment opportunities among the persons and in the manner discussed herein often will not result in proportional allocations among such persons, and such allocations likely will be more or less advantageous to some such persons relative to others. Allowing any co-investment generally reduces the amount of the relevant investment opportunity that theoretically could have been taken by the relevant Fund, and Comvest Credit expects to be subject to potential conflicts of interest in determining the amount of investment opportunity that should be allocated to the relevant Fund because (i) co-invest opportunities generally appeal to Fund investors and third parties, (ii) to the extent co-investments made by Fund investors are not subjected to Management Fees and/or performance-based compensation, co-investments blend the effective rates of compensation paid by such persons and (iii) co-investors' proportionate share of a particular investment typically is not subject to the Management Fee offset provisions of a Fund's Governing Documents. In order to facilitate the acquisition of a portfolio company, a Fund reserves the right to make (or commit to make) an investment in the company with a view to selling a portion of the investment to co-investors or other persons prior to or following the closing of the acquisition. In such event, the relevant 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, including for example the risk that a portion of the investment will be syndicated at reduced cost, at cost, or at a lower amount at a time when the General Partner believes the value of such investment has appreciated or should be higher than that paid (or willing to be paid) by a co-investor. To the extent such a syndication is made, the General Partner's interest in limiting the Fund's exposure to a given investment while providing a potential benefit to co-investors investing at such lower values will give rise to a potential conflict of interest. As a consequence of a failed co-investment syndication process or a co-investment syndication on unattractive terms, the relevant Fund would be required to (i) bear the entire portion of any break-up, topping or other fees, costs and expenses related to such investment (including the proportionate share of such amounts that were expected to have been borne by co-investors), (ii) hold a larger-than-expected investment in such portfolio company, (iii) receive less-than-fair-market value for the syndicated portion of the investment and/or (iv) be diluted or realize lower than expected returns from such investment.

Moreover, there may be circumstances where a Lending Strategy Fund might participate in a refinancing in connection with an asset or loan of another Lending Strategy Fund, or for a fund to participate in an upsize loan transaction where the prior fund holding such investment does not participate or participates on less than its pro rata share. While the Managers will seek to conduct such transactions in a manner that they believe is fair and equitable to their clients under the circumstances over time and considering such factors as they deem relevant, there can be no assurance that such transaction will be equally beneficial to both the successor

and predecessor funds. While the Managers will allocate investment opportunities in a manner that they believe is fair and equitable to their clients under the circumstances over time and considering relevant factors, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the potential conflicts of interest to which the Managers expects to be subject, discussed herein, did not exist.

There may be circumstances when the Managers consider an investment on behalf of a Fund but initially determines not to make such investment, but eventually causes another Fund to make such investment. In these circumstances, the Managers or such other Fund potentially will benefit from research by the original investment team researching the investment and/or from costs borne by the initial Fund in pursuing the potential investment, but will not be required to reimburse the initial Fund for expenses incurred in connection with such investment.

Where multiple Funds of the Firm invest at the same, different or overlapping levels of a portfolio company's capital structure, there is a potential for conflicts of interest in determining the terms of each such investment. Questions may arise subsequently as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced or restructured. In troubled situations, decisions including whether to enforce claims, or whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring have the potential to raise conflicts of interest, particularly with respect to Funds that have invested in different securities within the same portfolio company. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, Funds may or may not provide such additional capital, and if provided, each Fund generally will supply such additional capital in such amounts, if any, as determined by the applicable Manager in its sole discretion. Because of the different legal rights associated with debt and equity of the same portfolio company, a Manager expects to face a potential conflict of interest in respect of the advice it gives to, and the actions it takes on behalf of one Fund versus another Fund (e.g., the terms of debt instruments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies). For example, in a bankruptcy proceeding, a Fund's interest may be subordinated or otherwise adversely affected by virtue of another Fund's involvement and actions relating to such other Fund's debt investment. Although the second Fund may recover all or part of amounts due to it, the first Fund may be at risk for substantial loss, which creates an incentive for the Managers and the second Fund to be more passive or refrain from taking actions adverse to the first Fund that would otherwise be available. In addition, if a Fund is a creditor of a portfolio company while another Fund holds more junior securities, the Managers or such creditor Fund will potentially take actions in its own interests with respect to its rights as a creditor (e.g., with respect to breaches of covenants) that would be adverse to the interests of the second Fund as a junior security holder. If a Fund enters into any indebtedness with another Fund on a joint and several basis, the applicable Manager is expected to enter into one or more agreements that provide each Fund with a right of contribution, subrogation or reimbursement. In administering, or seeking to reinforce, these agreements, a Manager expects to be subject to potential conflicts of interest, for example between a Fund with a reimbursement obligation and a Fund seeking reimbursement. In certain circumstances Funds are expected to be prohibited from exercising (or the Managers may deem it appropriate to refrain from exercising) voting or other rights in order to mitigate the relevant potential conflicts, notwithstanding the fact that the investment(s) of one Fund or the other may be subject to creditor claims regarding subordination of interests. The Managers intend to mitigate any potential conflicts by structuring such agreement in a manner intended to cause each Fund to bear its proportionate share of the applicable indebtedness, without undue favoritism over time.

Potential conflicts are expected to arise when and to the extent a Fund makes investments in conjunction with an investment being made by another Fund, or if it were to invest in the securities of a company in which another Fund has already made an investment. A Fund may not, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Funds.

This likely will result in differences in price, terms, leverage and associated costs. Further, there can be no assurance that the relevant Fund and the other Fund(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. The Managers' ability to implement a Fund's strategies effectively will potentially be limited to the extent that investments made by the Managers or another Fund, limit the first Fund from entering into transactions or arrangements that the applicable Manager would otherwise be interested in pursuing, or from taking actions that the applicable Manager believes would be beneficial to the first Fund. Investments by more than one Fund in an obligor also raises the risk of using assets of one Fund to support positions taken by other Funds, or that a Fund would remain passive in a situation in which it is entitled to exercise voting or other rights. The Firm reserves the right from time to time to express inconsistent views of commonly held investments or of market conditions more generally, including in instances where different portfolio managers express different views regarding the same investment. There can be no assurance that the return on one Fund's investments will be the same as the returns obtained by other Funds participating in a given transaction. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both Funds. In that regard, the Managers reserve the right to take actions for one or more Funds that adversely affect one or more other Funds.

Subject to any relevant restrictions or other limitations contained in the Governing Documents, the Managers will allocate fees and expenses in a manner that they believe is fair and equitable to their clients under the circumstances over time and considering such factors as they deem relevant, but in any case in their sole discretion. In exercising such discretion, a Manager expects to be faced with a variety of potential conflicts of interest.

As a general matter, Fund expenses typically will be allocated among all relevant Funds or co-invest vehicles of the Firm eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions generally will be made by the Managers using their best judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses potentially will not be proportional, and any such determinations involve inherent matters of discretion, e.g., in determining whether to allocate pro rata based on number of Funds or co-invest vehicles receiving related benefits or proportionately in accordance with asset size. The Funds generally have different expense reimbursement terms, including with respect to Management Fee offsets, which is expected from time to time to result in the Funds bearing different levels of expenses with respect to the same investment. The Managers from time to time will have a potential conflict of interest in determining whether certain costs and expenses incurred in the course of operating one or more Funds should be paid by such Fund(s) (and if so, which Fund(s) and in what proportion) or by the relevant Managers. While a Fund's Governing Documents identify the costs and expenses to be paid by a Fund, questions of interpretation inevitably will arise in connection with determining whether a certain cost or expense fits within the categories of costs and expenses described. Most Funds have adopted detailed expense language to help mitigate these issues and the Firm has also adopted certain internal policies and/or procedures to attempt to help mitigate these issues.

In addition, the Principals expect to spend a portion of their business time and attention pursuing investment opportunities for other Private Investment Funds and other clients of the Firm and other than on behalf of a given Fund. The Principals and the applicable Manager's investment staff will continue to manage and monitor such Private Investment Funds and investments. The Managers believe that the significant investment of the Principals in a Fund, as well as the Principals' interest in the carried interest with respect to such Fund, operate to align, to some extent, the interest of the Principals with the interest of the Investors in the Fund, although the Principals have economic interests in such other Private Investment Funds and Firm clients as well and receive Management Fees and carried interest therefrom. Such other Private Investment Funds and Firm clients that the Principals control generally have the potential to compete with a given Fund or

companies acquired by the Fund. In providing advice and recommendations to, or with respect to, such competing Funds and/or investments and in dealing with such competing Funds and/or investments, to the extent not prohibited by law, the Managers will not take into consideration the interests of any other Fund or Firm client and/or such Fund's or Firm client's portfolio companies and other investments. Accordingly, such advice, recommendations and dealings will potentially result in adverse consequences to such other Fund or its investments. At such time as the applicable Manager is permitted to raise a successor investment fund to a Fund, the Principals reserve the right to, and likely will, focus their investment activities on other opportunities and areas unrelated to such Fund's investments. Unless restricted by the Governing Documents, and subject to approval by CCO, Firm personnel are permitted to serve on boards or act in other roles unaffiliated with the Firm, the Funds or their portfolio companies, including boards of charitable and educational institutions, public companies and former portfolio companies, and receive compensation in connection with such services and roles, none of which will offset or otherwise reduce the Management Fees.

Because there is a fixed investment period after which capital from investors in a Fund may only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of a Fund, based upon capital invested by such Fund, this fee structure creates an incentive to deploy capital when a Manager may not otherwise have done so. Since the Managers will be permitted to retain certain fees and compensation received from (or with respect to) portfolio companies (as described under "Fees and Compensation"), the Managers expect to be subject to a potential conflict of interest in connection with approving transactions that result in, or setting, such fees and/or compensation. As a result of the Private Investment Funds' controlling interests in portfolio companies, the Managers typically have the right to appoint board members to such portfolio companies (including current or former personnel of the Managers or persons serving at their request), or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members will approve compensation and/or other amounts payable to the Managers and/or their associates. The Managers and/or their affiliates reserve the right to, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by the Private Investment Funds or other investment vehicles advised by the Managers and/or their affiliates. Except to the extent such amounts are subject to the offset provisions of the applicable Governing Documents, such amounts will be in addition to any Management Fees or carried interest paid by a Fund to the Managers.

Additionally, a portfolio company typically will reimburse the Managers or service providers retained at a Manager's discretion for expenses (including without limitation travel expenses) incurred by a Manager or such service providers in connection with its performance of services for such portfolio company. This subjects the Managers to conflicts of interest because the Funds generally will not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. The applicable Manager determine the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices. Although the amount of individual reimbursements typically will not be disclosed to investors in any Fund, their effect will be reflected in each Fund's audited financial statements, and any fee paid or expense reimbursed to the Manager or such service providers generally will be subject to: agreements with or review by sellers, buyers and management teams; the review and supervision of the board of directors of or lenders to portfolio companies; and/or third party co-investors in its transactions. These factors help to mitigate related potential conflicts of interest.

In connection with its services to the Funds and their investments, the Firm and its personnel expect to receive the benefit of certain tangible and intangible benefits. For example, in the course of the Firm's operations, including research, due diligence, investment monitoring, operational improvements and investment activities, the Firm and its personnel expect to receive and benefit from information, "know-how," experience, analysis and data relating to Fund or portfolio company (as applicable) operations, terms, trends, market demands, customers, vendors and other metrics (collectively, "**Comvest Information**"). In many

cases, Comvest Information will include tools, procedures and resources developed by the Firm to organize or systematize Comvest Information for ongoing or future use. Although the Firm expects its Funds and their portfolio companies generally to benefit from its possession of Comvest Information, it is possible that any benefits will be experienced solely by other or future Funds or portfolio companies (or by the Firm and its personnel) and not by the Fund or portfolio company from which Comvest Information was originally received. Comvest Information will be the sole intellectual property of the Firm and solely for the use of the Firm. The Firm reserves the right to use, share, license, sell or monetize Comvest Information, without offset to Management Fees, and the relevant Fund or portfolio company will not receive any financial or other benefit of such use, sharing, licensure, sale or monetization.

Additionally, expenses relating to the Funds or portfolio companies are expected to be charged using credit cards or other widely available third-party rewards programs that provide airline miles, hotel stays, travel rewards, traveler loyalty or status programs, “points,” “cash back,” rebates, discounts and other arrangements, perquisites and benefits under the available terms of such reward programs. Such terms are expected to vary from time to time, and any such rewards (whether or not de minimis or difficult to value) generally will inure to the benefit of the personnel participating in the rewards program, rather than the portfolio companies, the Funds or their respective investors; no such rewards will offset Management Fees.

A Manager generally exercises its discretion to recommend to a Fund or to a portfolio company thereof that it contract for products or services with certain service providers, and from time to time such service providers are expected to include: (i) the Firm or a related person of the Firm (which may include a portfolio company of such Fund); (ii) an entity with which the Firm or its affiliates or current or former members of their personnel has a relationship or from which the Firm or its affiliates or their personnel otherwise derives financial or other benefit, including relationships with joint venturers or co-venturers, or relationships where Firm personnel are seconded, or from which the Firm receives secondees; (iii) OAG or other operating partners; or (iv) certain limited partners or their affiliates. For example, a Manager expects to be presented with opportunities to receive financing and/or other services in connection with a Fund’s investments from certain limited partners or their affiliates that are engaged in lending or related business. This discretion subjects such Manager to conflicts of interest, because although the Manager will select service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Fund, it has a potential incentive to recommend the related or other person (including a limited partner) because of its financial or other business interest, such as an interest in maintaining goodwill between itself and its former, existing and prospective portfolio companies. There is a possibility that the Firm, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds or Manager), would favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Although the Firm generally seeks appropriate rates for services, it reserves the right to prioritize prior usage, perceived quality, sector competence or expertise, familiarity, onboarding speed or other other factors in retaining or recommending service providers. In certain circumstances where a Manager commits or has committed to seek “market” or “arms-length” rates or terms, such Manager will do so in its sole discretion, seeking rates that it has determined in its sole discretion to be reflective of the range of rates in the applicable or related markets. The Managers reserve the right to deem third-party investment in a transaction to be verification that the transaction was entered into at a value that is “arms-length.” Consequently, no Manager undertakes a minimum amount of benchmarking, and no Manager represents that any such benchmarking ultimately will be accurate, comparable or relate specifically to the assets, services geographies or comparable markets to which such rates or terms relate. Where such rates or terms include hourly components, the Managers reserve the right to rely on approximations or estimates of time spent for purposes of allocating or charging for services. Any methodology, or choice among methodologies, involves potential conflicts of interest. Whether or not a Manager has a relationship or receives financial or other benefit from recommending a particular



service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at higher quality or lesser cost.

The Managers reserve the right from time to time to cause a Fund to enter into a transaction whereby the Fund purchases securities from, or sells securities to, other Funds managed by the Firm, or co-investors or co-investment vehicles. Such transactions may arise in the context of automatic or other re-balancing of an investment among parallel investing entities or in contexts where a portfolio company owned by one Fund is acquired by a portfolio company acquired by another Fund. Certain of such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, the selling Fund potentially will not receive the best price otherwise possible, or the Managers will have a potential incentive to improve the performance of one Fund by, among other possibilities, selling underperforming assets to another Fund in order, for example, to earn fees. Additionally, in connection with such transactions, Comvest Credit, its affiliates and/or their professionals will potentially (i) have significant investments, or intentions to invest, in the Private Investment Fund that is selling and/or purchasing such an investment; or (ii) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment). These conflicts are heightened to the extent the relevant securities are illiquid or do not have a readily ascertainable value, and there generally can be no assurance that the price at which such transactions are entered into represent what would ultimately be the underlying investment's fair value. To the extent required by the relevant Funds' limited partnership agreements or otherwise in the sole discretion of the Managers, the Managers reserve the right to seek to mitigate such conflicts by obtaining the consent of the relevant Fund(s) (including, where authorized, the consent of each Fund's advisory board) to such transactions. In certain circumstances, the Managers reserve the right to determine that the willingness of a third party to make an investment on the same terms demonstrates the fairness of the relevant transaction to the Fund under then-current market conditions. The Managers intend that any such transactions be conducted in a manner that it believes to be fair and equitable to each Fund under the circumstances, including a consideration of the potential present and future benefits with respect to each Fund.

Moreover, as described above, portfolio companies and, in certain instances the Funds will pay certain fees and retainers to, and reimburse expenses of, operating partners, and other third party consultants (including OAG and other operating partners, Executive Partners and other consultants introduced or arranged by the Firm and/or its affiliates that provide services to one or more portfolio companies), and such amounts do not offset or reduce the Management Fee as described herein. Such partners and consultants are expected from time to time to include former employees of the Firm or certain portfolio companies, and in some circumstances such persons are expected to become Firm employees or employees of portfolio companies. Consequently, the determination of whether individuals are operating partners or similar persons is expected to vary and/or be revisited from time to time, which poses potential conflicts of interest where certain changes in status or categorization would reduce costs that the Managers otherwise would be required to bear. Operating partners, OAG, Executive Partners and other consultants potentially will receive investment opportunities, reimbursements and other compensation that will not offset or reduce the Management Fee of any Fund as described herein, and the use of operating partners and other consultants is expected to fluctuate and/or expand over time. In addition, OAG's business model is dependent on providing consulting services to the Firm, the Funds and the other Firm clients and/or their portfolio companies and does not currently provide services (nor does it intend to provide services in the future) to clients not affiliated with Comvest Credit. OAG is often engaged on a retainer basis by portfolio companies, and therefore on occasion will be paid the same amount for differing amounts of work. OAG's fees from time to time will not be comparable to costs, fees and expenses charged by other third parties. OAG Fees could be charged at hourly rates or could be charged at project-based or other rates such that OAG operates at or near break-even, including operational, real estate and other costs and expenses incurred by Comvest Credit on behalf of OAG, as assessed on an annual basis by the Firm in its sole discretion. To the extent that executive partners, operating partners or consultants are paid retainers or guaranteed minimum compensation amounts, there is the possibility that certain portfolio companies or Funds will bear a greater share of such compensation due to

the utilization of such person's services at a time when fewer portfolio companies or Funds make use of such person. Under many of these arrangements, there can be no assurance that the amount of compensation paid in a particular year will be proportional to the amount of hours worked or the amount or written work product generated by the operating partner. Although the use of executive partners, operating partners and consultants and the allocation of compensation paid to them by the Firm, its affiliates and/or the portfolio companies subjects the Managers and/or their affiliates to potential conflicts of interest, the Managers believe that such potential conflicts have the potential to be reduced by the anticipated cost savings to portfolio companies (which is expected to be to the benefit of the applicable Fund(s)) that will result if the cost of the operating partner or consultant is lower than market rates for the services provided and/or if the services of the operating partner or consultant align with the Manager's model for the portfolio company and improve portfolio company performance. Although the Managers seek to retain operating partners and consultants with a view to reducing costs to portfolio companies and, ultimately, the Funds, a number of factors may result in limited or no cost savings from such retention. The Managers also seek to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that the Managers believe will align such persons' interests with those of the Funds' limited partners, and seeks to retain only operating partners and service providers which they believe provide a level of service at a value generally consistent with other relevant market alternatives. However, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Employees and related persons of the Firm have, and are expected to continue to have, capital investments in or alongside certain Funds, or in prospective portfolio companies directly or indirectly, as well as in investment vehicles (including private funds) sponsored by potential competitors, and therefore the Managers expect there to be additional potential conflicting interests in connection with these investments.

In those instances where partners, officers and employees of the Firm serve as directors of certain borrowers the loans of which are collateral of a Fund, they will be required to make decisions that they consider to be in the best interests of such borrower. In certain circumstances, such as in situations involving bankruptcy or near insolvency of a borrower, actions that they determine to be in the best interests of such borrower will not necessarily be in the best interests of the Fund, and vice versa. Accordingly, in these situations, there potentially will be conflicts of interest between an individual's duties as a partner, officer or employee of the Firm and such individual's duties as a director of such borrower.

The relevant Manager and/or its affiliate reserve the right to enter into side letter arrangements with certain investors in a Fund providing such investors with different or preferential rights or terms, including but not limited to different fee structures or arrangements (including discounted or rebated compensation terms, modified waterfall mechanics and/or receipt of a portion of the Manager's compensation, none of which generally will be subject to the "most-favored nation" provisions of a Fund's Governing Documents), information rights, specialized reporting, priority co-investment rights or targeted co-investment amounts, rights to serve on the Fund's advisory committee, liquidity or transfer rights, confidentiality protections and disclosure rights, modification of default remedies, excuse provisions, and investment pacing restrictions, as well as economic procedural and other terms.

The Managers are likely to have their own economic and/or other business incentives to provide certain terms to certain limited partners (e.g., based on commitment amount to a Fund or the timing thereof, the ability of a limited partner to provide sourcing or other services to the Managers, their affiliates and personnel or the Funds, or the potential to establish, recognize, strengthen or cultivate relationships that have the potential to provide longer-term benefits to the Managers, its affiliates and personnel, or the Funds. Further, Side letters may also relate to strategic relationships under which an investor agrees to make capital commitments to multiple Funds. Except where required by Governing Documents, other investors will not receive copies of

side letters or related provisions, and as a general matter, the other investors have no recourse against a Fund, the Firm the relevant Manager or any of their affiliates in the event that certain investors have received additional and/or different rights and/or terms as a result of such side letters. Side Letters subject the Managers to potential conflicts of interest, including in circumstances where an investor's right to serve on the relevant Fund's advisory committee results in the investor receiving additional information relative to other investors. To the extent an investor is subject to statutory or other limitations on indemnification, or otherwise negotiates rights relating thereto, other investors may be subject to increased losses, or be required to bear an increased portion of indemnification amounts. Other Side Letter rights are likely to confer benefits on the relevant limited partner at the expense of the relevant Fund or of limited partners as a whole, including in the event that a Side Letter confers additional reporting, information rights, and/or transfer rights, the costs and expenses of which are expected to be borne by the relevant Fund.

As a consequence of one or more limited partners being excused or excluded, or from regulatory, tax or other factors altering or limiting their participation in investments or ability to bear certain liabilities or obligations, the aggregate returns realized by participating or non-participating limited partners could be adversely affected in a material manner by the unfavorable performance of particular investments; similar considerations apply in the event a limited partner defaults on a drawdown in respect of an investment. Although the Managers believe it to be unlikely, excuse or other rights requested or received by one or more limited partners (or such regulatory, tax or other factors applicable to such limited partners) representing a substantial percentage of a Fund have the potential to create significant variations in limited partner investment returns or exposures to liabilities or obligations, or to influence or affect the investment strategy and pursuit of investment opportunities by the General Partner on behalf of the relevant Fund as a whole. A limited partner's voting rights for regulatory or other reasons can be limited in circumstances specified in the Governing Documents; conversely, a limitation on one or more limited partners' voting rights generally will increase the voting rights percentage of other limited partners in the relevant Fund. Further, limited partners with different domiciles or tax categorizations could receive different investment returns or amounts of tax basis and/or pay different levels of expenses, e.g., based on tax savings or ownership of alternative investment vehicle, "blocker" or other structures used to facilitate their investments in, through or below a Fund.

The Managers, their affiliates and/or personnel maintain relationships with (or invest in) financial institutions or other service providers, some of which will invest (or will be affiliated with an Investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, the Managers and/or its affiliates, and/or the Private Investment Funds or other investment vehicles they advise. In other circumstances, these financial institutions are expected to provide personal banking, private wealth or lending arrangements (including lending arrangements with respect to personal investments in or through Comvest Credit entities, whether or not relating to financing Comvest Credit personnel obligations to fund General Partner commitment obligations) to Comvest Credit personnel and their estate planning vehicles. In addition, portfolio companies may from time to time pay certain fees to third party consultants (including consultants introduced or arranged by the Managers and/or their affiliates that may regularly provide services to one or more Private Investment Fund portfolio companies), and such fees will not offset the Management Fee as described herein. Without limiting the foregoing, the Managers reserve the right to cause a Fund to make payments to investment banks and/or other intermediaries, all or a portion of which is for the purpose of generating future deal flow for such Fund; however, there can be no assurance that such payments will result in future deal flow, and in certain cases, future deal flow may inure to the benefit of another or a successor Fund rather than the Fund making the payment. Any of these situations subjects the Managers and/or their affiliates to potential conflicts of interest.

A Fund's General Partner generally is permitted to receive a distribution in kind from the Fund, including in connection with investment dispositions or the payment in kind of amounts owed to the General Partner as carried interest (which generally will be made using the value of the relevant securities on the date of

contribution). In such circumstances, there is a potential conflict of interest between the General Partner (and its beneficial owners) and the relevant Fund's limited partners. For example, the General Partner and its beneficial owners may intend to hold the investment for a different time period than Comvest Credit deems suitable for the Fund. Although the General Partner and its beneficial owners bear the risk that such securities will decrease during their holding period, to the extent the value of the relevant securities increases following the Fund's disposition thereof, neither the relevant Fund nor its limited partners will benefit from the increase, and over time the economic benefit to the General Partner and its beneficial owners could exceed the value of the General Partner's pro rata interest in the Fund and the amount of carried interest owed. To the extent the beneficial owners of the General Partner contribute such securities to a charity (including to a private foundation or other charitable organization associated with, operated or chosen by such persons or their families), any tax efficiencies or other personal benefits associated with the contribution will inure to the benefit of such beneficial owners rather than to the Fund or its limited partners.

Except to the extent prohibited by the Governing Documents, the Firm and its personnel are permitted to market, organize, sponsor or act in other capacities (including as director, founder or manager) for other pooled investment vehicles, CLOs, accounts or SPACs and to receive compensation (including in the form of management fees, performance-based compensation, founders' equity or similar interests) relating thereto. Subject to any limitations imposed by the Governing Documents and anti-"assignment" provisions of the Advisers Act, the Firm and its personnel are also permitted to offer, restructure and monetize interests in the Firm.

The relevant liability standards under insurance coverage procured by the Firm are expected to vary by carrier, and such standards are expected to vary from time to time depending on, for example, coverage features or limitations then-available from the carrier at the time of insurance contract renewal. As a result, insurance coverages from time to time are expected to vary from relevant liability and/or indemnity standards in the Governing Documents. Investors generally will be responsible for insurance premiums, as set forth in the Governing Documents, regardless of whether the liability and/or indemnity standards in the Firm's insurance coverage are higher or lower than that set forth in the Governing Documents.

The Managers reserve the right from time to time to implement certain additional policies and procedures that seek to mitigate potential conflicts of interest and address certain regulatory requirements and contractual restrictions. Such policies and procedures have the potential, however, to reduce synergies across the Firm's areas of operation or expertise that Funds may draw on to pursue their respective investment strategies and objectives.

## **Section 6. Disciplinary Information**

None of the Managers nor any of its management persons have been subject to any material legal or disciplinary events required to be discussed in this Brochure.

## **Section 7. Other Financial Industry Activities and Affiliations**

Comvest Credit is affiliated with the other Managers, which are subject to the Advisers Act pursuant to Comvest Credit's registration in accordance with SEC guidance. The Managers are also affiliated with Comvest, Commonwealth Credit, Comvest Credit Managers and their respective related advisory entities, each of which is subject to the Advisers Act pursuant to Comvest's and/or Commonwealth Credit's registration in accordance with SEC guidance. More information regarding Comvest and its affiliated investment advisers can be found on Comvest's Form ADV Part 2A. More information regarding Commonwealth Credit and its affiliated investment advisers can be found on Commonwealth Credit's Form ADV Part 2A. The Managers, Comvest, Commonwealth Credit and Comvest's and Commonwealth Credit's

other affiliated investment advisers operate as a single advisory business and serve as managers or general partners of private investment funds and other pooled vehicles or accounts and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions.

Affiliated Managers Group, Inc. (“AMG”) indirectly holds a minority interest in Comvest Credit and the other Managers. AMG is a publicly-traded global asset management company (NYSE: AMG) with equity investments in boutique investment management firms (“AMG Affiliates”). Each of the AMG Affiliates, including the Managers, operates autonomously and independently of AMG and each other. None of the Managers has any business dealings with other AMG Affiliates nor conducts any joint operations with them. AMG indirectly owns a plurality of the voting interests in the Managers, but does not have any role in the day-to-day operations of Comvest Credit or any other Manager. More information regarding AMG, including its public filings and a list of all AMG Affiliates, is available at [www.amg.com](http://www.amg.com).

## **Section 8. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

The Firm has adopted the Comvest Code of Ethics and Securities Trading Policy and Procedures (the “Code”), which sets forth standards of conduct that are expected of the Managers’ Principals and employees and addresses conflicts that arise from personal trading. The Code requires the Managers’ personnel to report their personal securities transactions and prohibits the Managers’ personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering or in a limited offering, in each case, without first obtaining approval from the Firm’s Chief Compliance Officer. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client’s interests in client eligible investments. In addition, the Code requires such personnel to comply with procedures designed to prevent the misuse of, or trading upon, material non-public information. A copy of the Code will be provided to any client or prospective client upon request to Bonnie Giusto at (212) 829-5834 or [b.giusto@comvest.com](mailto:b.giusto@comvest.com).

The Managers and their partners, members, officers, directors, employees (and members of their families) or affiliates (“**affiliated persons**”) may come into possession from time to time of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor’s decision to buy, sell or hold a security. Under applicable law, the Managers and their affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of the Managers. Accordingly, should the Managers or any of their affiliated persons come into possession of any material nonpublic or other confidential information with respect to any public company, the Managers would be prohibited from communicating such information to clients, and the Managers will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and/or procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of Firm personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Funds.

Principals and employees of the Managers and their affiliates generally are expected to directly or indirectly own an interest in Private Investment Funds or certain co-investment vehicles. To the extent that co-investment vehicles exist, such vehicles are expected to invest in one or more of the same portfolio companies as a Fund. Co-invest opportunities generally are also expected to be presented to certain affiliates of the Managers, as well as third party investors and other persons, and such co-investments may be effected through co-invest vehicles, directly in a particular portfolio company or through an intermediate entity in a portfolio company’s structure. Such co-investment opportunities generally will be allocated in the manner described in “Conflicts of Interest.”



The Managers and their affiliates, Principals and employees expect from time to time to carry on investment activities for their own accounts, for personal or employee investment vehicles and, potentially, for family members, friends or others who do not invest in the Funds, as well as give advice and recommend securities to other Funds or accounts that may differ from advice given to, or securities recommended or bought for, other Funds or accounts with the same or similar investment objectives. The Governing Documents and investment programs of certain Funds generally will restrict, limit or prohibit other Funds from investing in the same portfolio companies or other investments, or, in some cases, give investment priority to some Funds over others. Some of such restrictions could be waived by Investors (or their representatives or advisory boards) or could be subject to limitations (e.g., by time or percentage of capital deployed). However, the Managers may or may not, in their sole discretion, seek any such waiver and, in any event, there can be no assurance that any waiver sought would be obtained.

The Managers reserve the right to recommend the purchase or sale of securities for client accounts in which one or more of their affiliated persons, directly or indirectly, has a position or interest, or which an affiliated person buys or sells for himself or herself. Such transactions also potentially will include trading in securities in a manner that differs from or is inconsistent with the advice given to the clients of the Managers or the Funds. Certain of these transactions would require the consent of the applicable clients or Funds, and any such transaction will be conducted in accordance with any limitations set forth in the relevant Governing Document(s).

In borrowing on behalf of a Fund, a Manager is subject to conflicts of interest between repaying its obligations and retaining such borrowed amounts for the benefit of the Fund, and in circumstances where interest accrues on any such outstanding borrowings at a rate lower than the relevant Fund's preferred return, is expected to have incentives to cause the Fund to borrow in this manner rather than drawing down capital commitments. Where a preferred return begins to accrue after capital contributions are due (regardless of when the Fund borrows, makes the relevant investment, or pays expenses) and ceases to accrue upon return of these capital contributions, the use of borrowing to shorten the period between calling and returning capital limits the amount of time the preferred return will accrue. In circumstances where there is not a preferred return on funds borrowed in advance or in lieu of calling capital, Fund-level borrowing typically will reduce the amount of preferred return to which the limited partners would otherwise be entitled had the General Partner called capital, and thus could result in the relevant General Partner receiving carried interest sooner than it would without borrowing. Except for its interests in the profits of a Fund through any profit participation earned, the relevant General Partner generally will not participate in a Fund-level borrowing facility, and generally will not bear the related costs attributable thereto, including interest expenses or costs payable, in which case such amounts will be borne solely by the limited partners. In addition, when the Management Fee is calculated as a percentage of invested capital, a limited partner may pay Management Fees on borrowed amounts used to fund investments that have not yet been realized even though such amounts would not accrue preferred return as described above. It is expected that the costs relating to the establishment and/or maintenance of a subscription line of credit will be significant, and there can be no assurance that the benefits to limited partners will be commensurate with such costs.

## **Section 9. Brokerage Practices**

The Managers focus primarily on securities transactions of private companies and generally purchase and sell such companies through privately negotiated transactions in which the services of a broker-dealer may be retained. However, the Funds also may invest in public securities from time to time and the Managers reserve the right to also distribute securities to Investors in the Funds or sell such securities, including through

using a broker-dealer, if, for example, a public trading market exists. Although the Managers do not intend to regularly engage in public securities transactions, to the extent they do so, they intend to follow the brokerage practices described below.

If the Managers sell publicly traded securities for the Funds, they are responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Managers. In such event, the Managers will seek to select reputable, established brokers with the capability to service their client's needs at market rates. In selecting a broker to execute client transactions, the Managers reserve the right to consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; (iv) responsiveness to requests for trade data and other financial information; and (v) the willingness to provide account services to all the Funds to be available to handle infrequent transactions.

The Managers have no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or "posted" commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although the Managers generally seek competitive commission rates, they may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with the Managers seeking to obtain best execution, brokerage commissions on client transactions are permitted to be directed to brokers in recognition of research furnished by them, although the Managers generally do not make use of such services at the current time. Such research services could include economic research, market strategy research, industry research, company research, fixed income data services, computer-based quotation equipment and research services and portfolio performance analysis. As a general matter, research provided by these brokers would be used to service all of the Managers' Private Investment Funds. However, each and every research service may not be used for the benefit of each and every Private Investment Fund managed by the Managers, and brokerage commissions paid by one Private Investment Fund may apply towards payment for research services that might not be used in the service of such Private Investment Funds. Research services potentially will be shared between the Managers and their affiliates.

The Managers will employ no agreement or formula for the allocation of brokerage business on the basis of research services; however, the Managers reserve the right to, in their discretion, cause the Private Investment Funds to pay such brokers a commission for effecting portfolio transactions in excess of the amount of commission another broker adequately qualified to effect such transactions would have charged for effecting such transactions. This generally arises where the Managers have determined that such commission is reasonable in relation to the value of brokerage and research services received. In reaching such a determination, the Managers would not be required to place or attempt to place a specified dollar value on the brokerage or research services provided by such broker.

To the extent that the Managers allocate brokerage business on the basis of research services, they expect to have an incentive to select or recommend broker-dealers based on the interest in receiving such research or other products or services, rather than based on their Private Investment Funds' interest in receiving most favorable execution.

The Managers do not anticipate engaging in significant public securities transactions; however, to the extent

that the Managers engage in any such transactions, orders for the purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for Private Investment Funds are completed independently, the Managers also reserve the right to purchase or sell the same securities or instruments for several Private Investment Funds simultaneously. From time to time, the Managers expect, but are not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or “batched” to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions would be executed in a manner intended to ensure that no participating Private Investment Fund of the Managers is favored over any other Private Investment Fund. When an aggregated order is filled in its entirety, each participating Private Investment Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. To the extent such orders are not batched, they may have the effect of increasing brokerage commissions or other costs.

When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a *pro rata* basis to each Private Investment Fund participating in such buy or sell order in accordance with the amount of securities originally requested for such Private Investment Fund. Each Private Investment Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to pro rata allocations are permissible provided the Managers believe they are fair and equitable to the Private Investment Funds under the circumstances over time.

#### **Section 10. Review of Accounts**

The Managers seek early realization of liquidity for the Funds’ portfolios and early return of capital to Investors; however, investments made by the Funds are primarily private, illiquid or long-term in nature. The Managers continually review investment positions for liquidity alternatives and work with portfolio companies in planning for and realizing liquidity for Investors. In addition, each private investment fund’s investment committee is responsible for insuring that each Private Investment Fund is managed in accordance with its stated objectives.

For Control Strategy and certain minority equity investments, the relevant Manager places importance on holding a seat on the board of each portfolio company or on having a contractual right to attend board meetings, and may otherwise act to influence management or control of portfolio companies held by the Funds, including through approval rights. For Lending Strategy investments, the relevant Manager generally seeks to mitigate risks through access to portfolio company management and detailed operating and financial information and through loan covenants and restrictions on certain activities of the portfolio companies.

The Funds generally will provide to their Investors (i) annual GAAP-audited and quarterly unaudited financial statements, (ii) annual tax information necessary for each Investor’s tax return, and (iii) quarterly reports describing the status of each investment in the relevant Fund’s portfolio (including the relevant Manager’s estimate of the fair value of each investment determined as set forth in the applicable Governing Documents).

#### **Section 11. Client Referrals and Other Compensation**

The Managers and/or affiliates intend to provide certain business or consulting services to companies in the Funds’ portfolio and expect to receive compensation from these companies in connection with such services. As described in the applicable Governing Documents, this compensation, in many cases, will offset a portion of the Management Fees paid by the Funds. However, in other cases (e.g., reimbursements for out-of-pocket

expenses directly related to a portfolio company), these fees would be in addition to Management Fees. See Section 2 (“Fees and Compensation”) above for additional information.

The Managers reserve the right from time to time to enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming an Investor in a Fund. Any fees payable to any such placement agents generally will be borne by the Managers indirectly through an offset against the Management Fee under the Governing Documents, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, typically are borne by the relevant Fund. The Managers expect to retain and compensate placement agents from time to time to solicit investors on behalf of certain of the Funds. Compensation to placement agents will be either paid or borne by the relevant Manager(s), and if initially paid by a Fund, will reduce Management Fees.

For certain private funds sponsored and advised by the Firm, the Firm has retained AMG Distributors, Inc., a limited purpose broker-dealer that is a wholly-owned subsidiary of AMG Funds LLC, which in turn is a wholly-owned subsidiary of AMG, as a non-exclusive placement agent for the funds. The Firm and/or the funds pay AMG Distributors, Inc. a fee for these services. The Managers similarly anticipate retaining AMG Distributors, Inc. as a non-exclusive agent for certain of the Private Investment Funds.

In addition, the Firm is a party to client service/marketing agreements with one or more non-U.S. subsidiaries of AMG, pursuant to which such subsidiaries introduce the Firm’s funds to prospective institutional clients. The Firm pays such AMG subsidiaries a fee for such services, as set forth in the relevant agreement. The Managers similarly anticipate engaging such non-U.S. subsidiaries of AMG Distributors, Inc. for certain of the Private Investment Funds. The non-U.S. AMG subsidiaries are not broker-dealers, investment advisers, or any of the other financial institutions described in Item 7.A. of Form ADV Part 1A. Depending on the foreign jurisdiction, the non-U.S. AMG subsidiaries may be registered or exempt from registration, as appropriate, with the relevant foreign financial regulatory authorities.

The Managers and Comvest VI have currently engaged Stifel, Nicolaus & Company (“**Stifel**”) to act as a placement agent. Stifel will be paid a specified percentage of the aggregate capital commitments to Comvest VI and/or its successor fund provided by investors introduced by Stifel, subject to the terms and conditions set forth in the placement agreement. The Managers and Comvest VI have also entered into an agreement with Merrill Lynch, Pierce, Fenner & Smith Incorporated (“**Merrill**”), pursuant to which Merrill will be paid a specified percentage of the aggregate capital commitments to Comvest VI provided by investors introduced by Merrill and/or certain feeder funds established by Merrill.

## **Section 12. Custody**

Comvest Credit is deemed to have custody of the Funds’ cash and securities in accordance with Rule 206(4)-2 under the Advisers Act (the “Custody Rule”) because Comvest Credit and/or the General Partner has authority to direct and dispose of the Funds’ assets. Comvest Credit will comply with the Custody Rule requirements by subjecting the Funds to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board.

The majority of the Funds’ investments will be in the form of non-negotiable and non-transferable illiquid holdings for private company equity, equity warrants or debt instruments. Such instruments generally will be held by the Manager in a secure location within its principal office, by financial institutions that have extended credit to the Fund to which the investment relates, or by a third party financial institution custodian.

To the extent a Fund holds marketable or certificated securities, they generally will be held in custody in the relevant Fund's brokerage account with Merrill Lynch, 200 Park Avenue, 13th floor, New York, NY 10166. The Managers maintain custody of other Fund assets, held in the name of the relevant Fund, with the following other qualified custodians:

- Citibank, N.A., 153 East 53rd Street, New York, NY 10022;
- Flagstar Bank, N.A., 565 Fifth Avenue, 12th Floor, New York, NY 10017;
- U.S. Bank, P.O. Box 1800, St. Paul, MN 55101

### **Section 13. Investment Discretion**

Each Manager has discretionary authority to manage investments on behalf of the applicable Fund. As a general policy, the Managers do not allow clients to place limitations on this authority, provided that the Governing Documents of a Fund may impose certain restrictions on investing in certain types of securities. Pursuant to the terms of each Partnership Agreement, however, the Managers have entered, and expect to enter, into "side letter" arrangements with certain Investors whereby the terms applicable to such Investor's investment in the 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 Manager assumes this authority pursuant to the terms of the relevant Partnership Agreement and powers of attorney executed by the Investors of each Fund.

### **Section 14. Voting Client Securities**

In accordance with SEC requirements, the Managers have adopted Proxy Voting Policies and Procedures (the "**Policy**") to address how any Manager will vote proxies, as applicable, for the Funds' portfolio investments. The Policy seeks to ensure that the applicable Manager votes proxies (or similar instruments) in the best interest of the Funds, including when there may be material conflicts of interest in voting proxies. The Managers generally believe their interests are aligned with the Funds' investors through the Principals' beneficial ownership interests in the Funds and carried interest and therefore will not seek investor approval or direction when voting proxies. In the event, however, there is or may be a conflict of interest between the applicable Manager and the Funds in voting proxies, the Policy provides that the Manager may address the conflict using several alternatives, including by seeking the approval or concurrence of the relevant Funds' advisory board(s) on the proposed proxy vote or through other alternatives set forth in the Policy. Additionally, a Fund's advisory board is authorized to approve the Fund's vote in a particular solicitation. The Managers do not consider service on portfolio company boards by Manager personnel or Principals, or the Managers' receipt of management or other fees from portfolio companies, to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Policy sets forth certain specific proxy voting guidelines followed by the relevant Manager when voting proxies on behalf of a Fund. A copy of the Policy or information regarding how the Managers voted proxies for particular portfolio companies after the effective date of registration will be provided to clients or prospective clients at no charge upon request to Bonnie Giusto at (212) 829-5834 or [b.giusto@comvest.com](mailto:b.giusto@comvest.com).

### **Section 15. Financial Information**

No Manager requires prepayment of management fees more than six months in advance or has any other events requiring disclosure under this item of the Brochure.