

# TruArc Partners, LP

## Part 2A of Form ADV

### The Brochure

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**This brochure provides information about the qualifications and business practices of TruArc Partners, LP (“TruArc”). If you have any questions about the contents of this brochure, please contact us at (212) 508-3300. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

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

**We refer to ourselves as a “registered investment adviser.” Registration as an investment adviser does not imply a certain level of skill or training.**

## **Item 2      Material Changes**

TruArc Partners, LP has made routine updates and provided clarifying information in this brochure since its last update which was filed on March 31, 2022. We encourage all recipients of this brochure to read it carefully in its entirety.

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## **Item 4      Advisory Business**

TruArc Partners, LP (“TruArc,” the “Firm,” the “Management Company,” “us,” “we,” and “our”) is a limited partnership formed under the laws of the state of Delaware. TruArc commenced operations in August 2020. TruArc is primarily owned and controlled by Alan Mantel, Ogden Phipps II, and John Pless (the “Principals”). Mr. Ian Snow also has a minority economic interest in the Firm. In addition, one or more affiliates of Reinet Investments S.C.A. (collectively, “Reinet”) has a minority interest in the Management Company. Reinet does not have any power to direct the investments or control the Management Company, but possesses certain minority protection rights, including information access and periodic reporting rights, economic protections such as anti-dilution rights and consent rights in respect of certain material actions by TruArc. Further information regarding Mr. Snow’s and Reinet’s position in the Management Company are described in Item 10 below.

TruArc has been established as a successor business to Snow Phipps Group, LLC (“Snow Phipps”). Snow Phipps is a registered investment adviser that provides discretionary investment advice to three private equity funds, Snow Phipps Group, L.P. (“Fund I”), Snow Phipps II, L.P. (“Fund II”), and Snow Phipps III, L.P. (“Fund III” and collectively with Fund I and Fund II, the “Prior Funds”) and their respective related alternative investment vehicles and special purpose vehicles. SPG GP, LLC is the general partner of Fund I, Snow Phipps GP II, LLC is the general partner of Fund II, and Snow Phipps GP III, LLC is the general partner of Fund III (collectively, the “Snow Phipps General Partners”). TruArc serves as a sub-adviser to the Prior Funds.

TruArc is in the process of raising, and currently manages, TruArc Fund IV, LP and TruArc Fund IV (Parallel), LP (together with any additional parallel investment vehicles and their respective feeder vehicles and alternative investment vehicles, the “Fund,” or “Fund IV”), a successor fund targeting \$1 billion in aggregate capital commitments, to continue to execute the same investment strategy employed in Fund III. TruArc Fund IV GP, LLC is the general partner (“General Partner”) of Fund IV. TruArc may also form other vehicles (“Other Client Vehicles”) which include any investment funds (other than the Fund and related vehicles), accounts or other advisory clients sponsored, formed or managed by the General Partner, the Management Company or any of their respective affiliates, including any co-investment vehicles, aggregators or similar vehicles. Without limiting the foregoing, the General Partner has also formed TruArc Fund IV Co-Invest, LP (“TruArc Fund IV Co-Invest”), a co-investment vehicle that co-invests in all or substantially all of the Fund’s portfolio investments alongside Fund IV. Reinet is the only investor in TruArc Fund IV Co-Invest. Further information regarding the allocations to TruArc Fund IV Co-Invest are described in Item 12 below. The General Partner has also formed certain aggregator vehicles in order to facilitate investments by co-investors alongside Fund IV in certain portfolio investments. For purposes of this brochure, each of the Prior Funds will also constitute an Other Client Vehicle.

The eligibility and suitability requirements for each Fund are described in the applicable Private Placement Memoranda (“Memoranda”), limited partnership agreements (“Partnership Agreements”), and subscription agreements (“Subscription Agreements”) (collectively referred to as the “Fund Offering Documents”). For purposes of this brochure, references to “the Fund” or “each Fund” will also apply to future funds, references to “the General Partner” or “a General

Partner” will also apply to future general partner entities that are affiliates of TruArc, and references to “the Management Company” or “a Management Company” will also apply to future investment manager entities that are affiliates of TruArc.

TruArc will continue to pursue the same middle-market strategy in Fund IV that was executed in Fund I, Fund II and Fund III by the Firm’s senior Investment Team consisting of Messrs. Alan Mantel, Ogden Phipps II, John Pless, Townsend Bancroft, Brandon Kiss, and Gerald Sheehan (“the Senior Investment Team”). The Management Company will target investments in companies primarily headquartered in North America, generally with enterprise values ranging from \$100 million to \$500 million that are expected to require equity investments between \$50 million and \$150 million in the initial investment or through a series of transactions. The investments in Fund IV are expected to primarily be in the form of controlling positions in companies achieved through leveraged acquisitions, build-ups, recapitalizations, growth equity buyouts and restructuring transactions.

#### *Assets Under Management*

As of December 31, 2022, TruArc had \$1.2 billion in regulatory assets under management for Fund IV (which includes the committed capital that may be called by Fund IV from its investors and the General Partner), TruArc Fund IV Co-Invest and Other Client Vehicles (other than the Prior Funds). Furthermore, TruArc is a sub-adviser to the Prior Funds which had \$1.7 billion in regulatory assets under management as of December 31, 2022. As such, TruArc is providing investment advice to a total of \$2.9 billion in regulatory assets under management. All assets are and will be managed on a discretionary basis.

## **Item 5 Fees and Compensation**

TruArc, the General Partner, and/or their respective affiliates will receive compensation in the form of management fees, carried interest distributions, and certain other fees related to transactions, consulting, advisory and other similar fees associated with investments or proposed investments or commitments made by each Fund, fees in connection with transactions that are not completed (i.e., break-up fees), directors’ fees (including, but not limited to: cash, equity/stock, options and warrants) and/or monitoring fees from portfolio companies. In addition, Fund IV will be charged for certain expense reimbursements. A description of fees and expenses charged to the Fund are further described in the Fund Offering Documents and in the paragraphs included below.

#### *Management Fees*

A management fee will be payable quarterly in advance by the Fund to the Management Company in an amount equal to the aggregate of the following amounts with respect to each investor: (a) until the earlier of (x) the expiration or termination of the commitment period and (y) the date on which the Management Company or any of its affiliates actually receives a management fee in respect of the Fund with overall investment objectives substantially similar to those of the Fund (the earlier of (x) and (y), the “Step-Down Date”), the applicable Management Fee Percentage (as defined below) per annum of the commitment of such investor and (b) thereafter, the applicable Management Fee Percentage per annum of the portion of the commitment of such investor funded thereby, whether or not returned to such investor, in respect of portfolio investments (including amounts funded in respect of Expenses (as defined below) which are directly attributable to portfolio investments as determined by the General Partner in its reasonable discretion) and any bridge financings which

have not been refinanced, disposed or otherwise repaid (with such funded amounts being deemed to include borrowings under any credit facility made by the Fund in lieu of capital contributions, until contributions are actually contributed to the Fund by such investor to repay such borrowings).

“Expenses” means any and all fees, costs, and expenses incurred by the General Partner, the Management Company, Fund IV’s tax representative, members of the limited partner advisory committee and their respective affiliates and their respective employees, agents, advisors, managers, officers, directors, members, partners or shareholders in the conduct of the activities of Fund IV, including, without limitation, Organizational Expenses (as defined below) and Operating Expenses (as defined below).

The management fee commenced to accrue on the effective date of Fund IV and will cease to accrue on the date on which Fund IV completes its liquidation. Other than with respect to the management fee that may be payable on the initial closing or on any subsequent closing of Fund IV, the management fee will be payable not earlier than each January 1, April 1, July 1 and October 1 (or, in each case, the immediately following business day) for the respective quarterly periods beginning January 1, April 1, July 1 and October 1 of each year. The management fee for any period in which the Management Company serves as investment manager for less than a full quarterly period will be prorated on the basis of the number of days in such period compared to the actual number of days the assets were managed by the Management Company during such period. The management fee will be determined in respect of all commitments made by investors who bear management fees as of the initial closing, including commitments made after the initial closing. The management fee will be subject to reduction as set forth in “Transaction Fees, Break-up Fees, and Monitoring Fees” described below.

“Management Fee Percentage” means:

(i) prior to the Step-Down Date,

- (A) with respect to each investor with (x) a commitment of \$150 million or greater or (y) (1) a commitment equal to or greater than \$100 million, but less than \$150 million, and (2) who is admitted to the Fund as of the initial closing, 1.75%; and
- (B) with respect to each other investor, 2.0%;

(ii) and thereafter,

- (A) with respect to each investor with a commitment equal to or greater than \$200 million, 1.20%;
- (B) with respect to each investor with (x) a commitment equal to or greater than \$150 million, but less than \$200 million, or (y) (1) a commitment equal to or greater than \$100 million, but less than \$150 million, and (2) who is admitted to the Fund as of the initial closing, 1.35%; and
- (C) with respect to each other investor, 1.5%.

TruArc is permitted, at any time and in its sole and absolute discretion, to waive, reduce or calculate differently all or any portion of the management fee with respect to any investor (including by way

of Side Letter). Without limitation to the foregoing, certain Fund investors are subject to a different (and reduced) Management Fee Percentage from that set forth above.

### *Carried Interest Distributions*

Investment proceeds in respect of a portfolio investment will be apportioned among all investors participating in such portfolio investment. The amount apportioned to the General Partner will be distributed to the General Partner and the amount apportioned to each investor will be distributed as follows:

(a) first, 100% to such investor until such investor has received, on a cumulative basis, taking into account all prior distributions made pursuant to this clause (a) with respect to the portfolio investment giving rise to the distribution and all portfolio investments that have previously been disposed of or permanently written down to zero (such disposed of or written down investments, “Realized Investments”) (without duplication) at the time of such distribution, an aggregate amount equal to:

(i) its capital contributions attributable to the portfolio investment giving rise to the distribution and all Realized Investments (without duplication) at the time of such distribution;

(ii) its capital contributions in respect of Expenses (including the management fee) that are not directly attributable to any portfolio investment and that are allocable to all Realized Investments; and

(iii) the aggregate amount of such investor’s proportionate share (based on its capital contributions) of the amounts by which portfolio investments that are not Realized Investments have been written down on the Fund’s books and records to less than cost (without duplication) at the time of such distribution (expressed as a positive amount);

(b) second, 100% to such investor until such investor has received, on a cumulative basis, taking into account all prior distributions, an aggregate amount equal to an 8% cumulative internal rate of return on capital contributions with respect to all Realized Investments (including capital contributions described in sub-clause (a)(ii) above), compounded annually from the date of the drawdown to the date of the relevant distribution (the “Preferred Return”);

(c) third, 100% to the General Partner until the General Partner has received cumulative distributions pursuant to this clause (c) with respect to such investor equal to 20% of the sum of (i) cumulative distributions made to such investor pursuant to clause (b) above and (ii) cumulative distributions made to the General Partner (with respect to such investor) pursuant to this clause (c); and

(d) thereafter, 80% to such investor and 20% to the General Partner (distributions to the General Partner pursuant to clause (c) above and this clause (d) are referred to collectively as “carried interest distributions”).

Notwithstanding the foregoing, the General Partner is permitted to elect, in its sole discretion, to not receive all or any portion of the carried interest distributions distributable to it pursuant to clauses (c) and (d) above, and instead distribute such proceeds to the investors (allocated among the investors in proportion to the amounts otherwise distributable to the General Partner with respect to each investor). Concurrently with any such election, if any, the General Partner must also make an election as to whether subsequent carried interest distributions will be made out of (a) any amounts that would otherwise be distributed in cash to an investor or (b) any proceeds that are attributable to an investor’s share of the Fund’s future income or gain (and only if in compliance with any additional requirements determined by the General Partner at the time of the such election) (the election of (a) or (b), the “Catch-Up Election”).

A distribution relating to a partial disposition of a portfolio investment will generally be subject to the above formula, with the preferred return and the carried interest distributions based pro rata on the original cost of, and the cumulative distributions made with respect to, the disposed portion of such portfolio investment. To the extent that any portfolio investment is subject to a recapitalization or a refinancing, the General Partner is permitted to treat such recapitalization or refinancing as a partial disposition.

TruArc is permitted, at any time and in its sole and absolute discretion, to waive, reduce or calculate differently all or any portion of the carried interest distributions with respect to any investor (including by way of Side Letter). Without limitation to the foregoing, certain Fund investors are subject to a different carried interest arrangement from that set forth above.

#### *Clawback*

The Fund Offering Documents require the General Partner, and those investment professionals who receive carried interest distributions, to return carried interest distributions if and to the extent that, in the aggregate, they have received such distributions in excess of 20% of the total profits of an investor (or, if greater, any such excess carried interest distributions to the extent the 8% cumulative effective internal rate of return described above has not been achieved with respect to such investor).

#### *Transaction Fees, Break-up Fees and Monitoring Fees*

As further described in the Fund Offering Documents, the Management Company, the General Partner, any Principal and each of their respective affiliates or existing employees are permitted to receive transaction, advisory or other similar fees from a portfolio company in respect of services provided to such portfolio company, or any purchaser or seller of any portfolio investment, in each case, as a result of a proposed transaction or investment by the Fund net of amounts necessary to pay unreimbursed expenses (such fees, excluding any Other Fees (as defined below), “Transaction Fees”).



The Management Company, the General Partner, a Principal and each of their respective affiliates and existing employees are also permitted to receive break-up or similar fees from a proposed portfolio company as a result of a proposed transaction or investment by the Fund that is not consummated, net of any Expenses relating to the proposed portfolio investment to which such break-up or similar fees relate (such fees, excluding any Other Fees (as defined below), “Break-up Fees”).

In addition, the Management Company, the General Partner, any Principal and each of their respective affiliates and existing employees are permitted to receive from a portfolio company fees for (a) monitoring and similar services to such portfolio company and (b) service as a member of the board of directors (or equivalent governing body) of such portfolio company (such fees, excluding any Other Fees (as defined below), “Monitoring Fees”).

With respect to each investor who bears management fees and each payment date, 100% of each such investor’s *pro rata* share (based on commitments) of any Allocable Fees (as defined below) received during the immediately preceding quarterly period will be applied to reduce such investor’s share of the management fee payable on such date. For purposes of effecting the foregoing offset, the amount of any compensation that is paid in the form of an option, warrant or other form of non-cash compensation will be deemed to have been received on the date such option or warrant is exercised, or such non-cash compensation is disposed of, and the amount of such compensation will be the excess of the value of the property received upon such exercise or disposition over the amount paid to exercise such option or other right (plus any amount paid to acquire such option or warrant) or to dispose of such non-cash compensation. The Fund will not have any right to receive payment in respect of all or any portion of the management fee, Transaction Fees, Break-up Fees or Monitoring Fees. Any cash or non-cash consideration received directly or indirectly by an Operating Team Member from a portfolio company will not be subject to the foregoing offset.

With respect to any quarterly period, “Allocable Fees” means the Fund’s Allocable Share (as defined below) of any Transaction Fees, Break-up Fees or Monitoring Fees, as the case may be, received during the immediately preceding quarterly period. “Allocable Share” means, with respect to any Allocable Fees over any quarterly period immediately preceding any payment date, the Fund’s notional share of such Allocable Fees, as determined in good faith by the General Partner (which notional share could be based on the Fund’s fully diluted percentage ownership (or proposed fully diluted percentage ownership in the case of a potential portfolio investment) of the relevant portfolio company as of such payment date, relative to all other owners of the portfolio company, including, but not limited to, Fund III, any parallel investment vehicle, any additional fund, any co-investment vehicle, any Other Client Vehicle or co-investors).

The investors are required to acknowledge and agree that any Transaction Fees, Break-up Fees or Monitoring Fees that are not included in Allocable Fees, as well as all Other Fees, will not give rise to any reduction to the management fee or any other economic benefit to the Fund or any investor. Furthermore, if the Allocable Share that was applied with respect to any payment date (for purposes of calculating Allocable Fees or any investor’s *pro rata* share thereof as of such date) is greater than the Allocable Share prevailing as of the immediately following payment date, then the General Partner is permitted to equitably increase the management fees borne by any investor with respect to such immediately following payment date to account for the reduction that would have applied

as of such immediately preceding payment date had such reduction been calculated based on such subsequent Allocable Share.

For the avoidance of doubt, in connection with any portfolio investment in which one or more Other Client Vehicles also holds an interest, whether in the same security (or other investment) held by the Fund or in a different part of the applicable portfolio company's capital structure, no transaction fees, advisory fees, break-up fees, monitoring fees, directors' fees, consulting fees or other similar fees received by the Management Company or any of its affiliates, or any Principal or employee of the Management Company in connection with the portfolio investments or prospective portfolio investments of any such Other Client Vehicle (including any "Transaction Fees," "Break-up Fees" or "Monitoring Fees" as may be defined in the offering document of such Other Client Vehicle (or any substantially similar concept)) will constitute Transaction Fees, Break-up Fees or Monitoring Fees for purposes of the Partnership Agreement. Accordingly, no such transaction fees, advisory fees, break-up fees, monitoring fees, directors' fees, consulting fees or other similar fees will be apportioned to the Fund nor to any of the investors and such amounts will not give rise to any reduction to the management fee or any other economic benefit to the Fund or any investor.

#### *Other Fees*

For purposes of the foregoing, "Other Fees" means (a) reimbursements for fees, costs or expenses incurred in connection with an actual or prospective portfolio investment or portfolio company, including those arising under indemnification, contribution or other similar provisions or agreements in connection with any actual or prospective portfolio investment or portfolio company; (b) any Service Provider Compensation (as defined below); (c) any Operating Team Member compensation; (d) any co-investment economics (as further described in the Fund Offering Documents); (e) any fees received, directly or indirectly, by a person or entity other than the Fund, any parallel or alternative investment vehicle, or any other related parties, including fees received, directly or indirectly, by a co-investor or other investor participating in the equity or other securities, assets or other property of any portfolio company, irrespective of whether (i) such person or entity participates directly or indirectly through the Fund or any other parallel vehicle or Other Client Vehicle; (ii) such person is also an investor, Operating Team Member (as defined below), Service Provider (as defined below) or other third party or an affiliate of any of the foregoing; (iii) such person or entity is providing (or is not providing) services in consideration of its receipt of such fees to, for or otherwise with respect to such portfolio company; and (iv) the payment of such fees to (or the receipt of such fees by) such person or entity was arranged, organized, sponsored, negotiated by or for, permitted, consented to, approved or otherwise facilitated by related parties; and (f) any fees for the benefit of the General Partner, the Management Company or any of their respective affiliates paid by the Fund or any portfolio company in respect of services performed by the General Partner, the Management Company or such affiliate, as applicable, other than the services described in the Fund Offering Documents and the Fund's investment management agreement.

#### *Organizational Expenses*

The Fund will bear all fees, costs and expenses incurred in connection with (i) the offering, sale, marketing and private placement of the interests and interests in any existing or future parallel or feeder vehicles, including: (a) Placement Fees (defined below) and indemnification payments paid to any placement agent and (b) fees, costs and expenses incurred in connection with the preparation

(and, if applicable, the negotiation) of engagement letters with Service Providers (defined below), marketing presentations, investor presentations, due diligence questionnaires and the equivalents of any of the foregoing with respect to the Fund, any Parallel Investment Vehicle or any Feeder Vehicle; (ii) the structuring and organization of the Fund, any Parallel Investment Vehicle, any Feeder Vehicle, the General Partner, the Management Company, any of their respective affiliates or related entities that invest (directly or indirectly) in the Fund and/or in the General Partner or the Management Company, including the Service Provider Compensation of related Service Providers; (iii) capital raising, start-up and other organizational activities (including printing, mailing, courier, registration, filing and other similar activities) of the Fund or any Parallel Investment Vehicle, Feeder Vehicle, the General Partner, the Management Company, any related party investors or any of their respective affiliates or related entities that invest (directly or indirectly) in the Fund and/or in the General Partner or the Management Company (including the fees, costs and expenses of any credit facilities entered into by the General Partner, any of its affiliates or related entities or by or on behalf of one or more TruArc personnel, to facilitate the satisfaction of its obligations to make capital contributions to the Fund), including the Service Provider Compensation of related Service Providers; (iv) the registration, qualification or exemption of the Fund or any Parallel Investment Vehicle, any Feeder Vehicle (or the interests of or in any of the foregoing) under any applicable U.S. federal, state, local or non-U.S. laws, rules or regulations (including E.U. Alternative Investment Fund Managers Directive (Directive 2011/61/EU) and/or laws, rules or regulations implemented or promulgated in any applicable jurisdiction in relation thereto or similar marketing-related regulations in other jurisdictions); (v) the negotiation, execution and delivery of the Partnership Agreement, the Fund's investment management agreement, the Memorandum, any Subscription Agreements and the equivalents of any of the foregoing with respect to any Parallel Investment Vehicle, any Feeder Vehicle, the General Partner, the Management Company, any GP Affiliate investor or any of their respective affiliates or related entities that invest (directly or indirectly) in the Fund and/or the General Partner or the Management Company (including any agreements entered into in connection with investments by one or more persons or entities in the General Partner or the Management Company), and any related or similar documents (including with respect to income or profit sharing plans, carried interest plans, the granting of equity or "founder's" interests, and any and all arrangements and transactions related thereto), including the Service Provider Compensation of related Service Providers, Travel and Related Expenses (as defined below) and filing fees, but excluding any side letter expenses (as defined below); and (vi) compliance with any other applicable laws (including anti-money laundering or know-your-customer laws, rules or regulations) by the Fund, any Parallel Investment Vehicle, any Feeder Vehicle, the General Partner, the Management Company, any related party investors or any of their respective affiliates or related entities that invest (directly or indirectly) in the Fund and/or in the General Partner or the Management Company (collectively, the "Organizational Expenses").

Management fees will be reduced for Organizational Expenses (other than Placement Fees) in excess of \$2.5 million.

### *Operating Expenses*

The Fund will be responsible for all fees, costs and expenses incurred in connection with the operation, administration or carrying on of the activities or operations of the Fund ("Operating Expenses") that the General Partner determines are allocable to the Fund, including:

- (a) fees, costs and expenses incurred in connection with sourcing, investigating, identifying, researching, evaluating, developing, initiating, negotiating, structuring, making, acquiring, closing, consummating, holding, monitoring, maintaining, financing, refinancing, pledging, restructuring or otherwise disposing of any portfolio investment or any potential portfolio investment and all other similar transaction-based fees, costs and expenses incurred in connection with any of the foregoing (each of which can be reimbursed, all or in part, by the applicable portfolio company or can also be used for the benefit of the Management Company, the General Partner or any other related parties or any Other Client Vehicle without reimbursement to the Fund), including: (i) fees, costs and expenses incurred in connection with deal initiation, investment banking, brokerage, underwriter (whether in the form of commissions or discounts), syndication, hedging, valuation, appraisal, due diligence, custodial, trustee, record keeping, lending, legal, attorney, accounting, auditing, administrator, tax, advisory, compliance and consulting (including Operating Team Member compensation) services, including Service Provider Compensation; (ii) fees, costs and expenses incurred in connection with attending industry conferences and obtaining research, data, analytics, business intelligence (including any “expert networks”), modeling, structuring, pricing and execution services, in each case, that are incurred in connection with the operation, administration or carrying on of the investment activities or other operations of the Fund, including the fees, costs and expenses of any subscriptions and any computer terminals for the delivery of such services and the Service Provider Compensation of related Service Providers; (iii) fees, costs and expenses of any hedging transactions intended to hedge currency exposure or manage the duration of interest rate exposure; (iv) fees, costs and expenses incurred in connection with forming, managing, maintaining and disposing of any subsidiary vehicle (including entity-level taxes, ERISA obligations and the fees, costs and expenses of an ERISA bond); (v) indemnification, reimbursement or similar obligations incurred in connection with any portfolio investment; (vi) any obligation to pay the principal amount of, interest on, and any other fees, costs and expenses incurred in connection with any credit facility, including the negotiation, arranging and syndication thereof (“Borrowing Costs”); and (vii) Travel and Related Expenses;
- (b) Broken Deal Expenses;
- (c) Management Fees;
- (d) other fees, costs and expenses incurred in connection with the operation, administration or carrying on of the activities or operations of the Fund, including: (i) fees, costs and expenses of legal, attorney, accounting, auditing, administrative, tax, advisory, compliance and consulting (including Operating Team Member compensation) services, including the service provider compensation of related service providers (including certain local intermediaries); (ii) fees, costs and expenses incurred in connection with maintaining the books and records of the Fund (including the fees, costs and expenses of portfolio accounting systems licenses and related services, as well as the Service Provider Compensation of related Service Providers) and maintaining the Fund in good standing with respect to local, state and similar registrations; (iii) fees, costs and expenses incurred in connection with the preparation and distribution of the Fund’s financial statements, reports, tax returns and Schedules K-1 (or additional or similar tax-related schedules) and any other tax reports or tax-related compliance activities (including the fees, costs and expenses incurred in

connection with the purchase, implementation, maintenance and upgrade of computer software and hardware for use in preparing and distributing the Fund's financial statements, reports, tax returns and Schedules K-1 (or additional or similar tax-related schedules) and any other tax reports, as well as fees, costs and expenses incurred in connection with providing online or electronic access to information and reporting (including any upgrades or customizations incurred in connection therewith)); (iv) fees, costs and expenses incurred in connection with the registration, qualification, exemption under, and/or legal and regulatory compliance with, any applicable U.S. federal, state, local, non-U.S. law, rule or regulation relating to the Fund (including the preparation and submission of filings with the SEC (including Form PF, Form ID, Form D, Form 13F, Form 13H, Section 16 filings, Schedule 13D filings, and Schedule 13G filings), U.S. Commodity Futures Trading Commission, the National Futures Association, the U.S. Treasury, the U.S. Internal Revenue Service and any other federal, state, provincial or local governmental body; (v) fees, costs and expenses incurred in connection with compliance with the U.S. Hart-Scott-Rodino Antitrust Improvements Act, as amended, and other antitrust laws, rules or regulations; (vi) fees, costs and expenses incurred in connection with compliance with the E.U. Alternative Investment Fund Managers Directive (Directive 2011/61/EU) or the laws, rules or regulations implemented or promulgated in any applicable jurisdiction in relation thereto (or similar marketing-related regulations in other jurisdictions), including the fees, costs and expenses of any depositary required in connection therewith; (vii) fees, costs and expenses incurred in connection with compliance with FATCA (as defined in the Partnership Agreement) and the fees, costs and expenses incurred in connection with compliance with any associated or similar law, rule, regulation, legislation or guidance); (viii) fees, costs and expenses incurred in connection with compliance with applicable laws, rules and regulations, including anti-money laundering, know-your-customer, anti-bribery, anti-corruption, privacy (including all data protection laws) and cybersecurity laws, rules and regulations (including the fees, costs and expenses incurred in connection with the implementation and compliance with any policies and procedures intended to provide for compliance with such laws, rules or regulations and Service Provider Compensation incurred in connection with the engagement of Service Providers to assist or advise with such compliance); (ix) fees, costs and expenses incurred in connection with any legal inquiries and examinations, including regulatory "sweeps" with respect to the Fund; (x) fees, costs and expenses incurred in connection with the implementation, operation and maintenance of information systems, software and related technology; (xi) fees, costs and expenses incurred in connection with obtaining data feeds, subscriptions, reports and similar research, data, analytic, and business intelligence information; (xii) other operational and administration fees, costs and expenses of the Fund not otherwise expressly set forth herein; (xiii) Borrowing Costs; and (xiv) Travel and Related Expenses;

- (e) litigation-related and indemnification fees, costs and expenses incurred in connection with any legal actions, suits or proceedings by or before any court, arbitrator, governmental body or other agency involving the Fund or the indemnification obligations of the Fund, including the Fund's indemnification obligations and the amounts of any judgments or settlements paid in connection with such proceedings or indemnification; fees, costs and expenses of any insurance policies for the benefit, directly or indirectly, of any indemnified person, including directors' and officers' (or other similar) liability insurance, errors and omissions insurance, cyber insurance, representation and warranty insurance or other insurance

policies, or fidelity bonds (including commissions, premiums, deductibles, escrow fees and seller's representative fees, costs and expenses incurred in connection with any of the foregoing);

- (f) fees, costs and expenses incurred in connection with forming, managing, maintaining and disposing of any subsidiary vehicle and that are not described above (including entity-level taxes, ERISA obligations, including any fees, costs and expenses of an ERISA bond); (g) taxes (including interest, penalties and other fees, costs and expenses incurred in connection with tax (including any fees, costs and expenses incurred in connection with any tax proceeding)) and other governmental body charges, in each case, other than any partner taxes; (h) fees, costs and expenses incurred in connection with the valuation or appraisal of any portfolio investment, portfolio company or any other securities, assets or other property of the Fund; (i) fees, costs and expenses incurred in connection with distributions of cash or, to the extent contemplated by the Partnership Agreement, securities, assets or other property to one or more investors, including fees, costs and expenses incurred in connection with the preparation, initiation and processing of wire transfers and checks; (j) fees, costs and expenses incurred in connection with communications with one or more investors, including fees, costs and expenses incurred in connection with responding to requests, requirements or inquiries from one or more such investors, including reporting requests, requirements or inquiries from one or more such investors or due diligence requests, questionnaires or checklists (including fees, costs and expenses incurred in connection with obtaining industry or market data for purposes of benchmarking the investment performance history of the Management Company or one or more of its affiliates or producing Institutional Limited Partners Association reporting templates or complying with similar reporting standards), irrespective of whether such communications or responses to such requests are mandated or contemplated by agreements ("Side Letters") with certain investors which provide such investors with additional or different rights than such investors have pursuant to the Fund Offering Documents.
- (k) fees, costs and expenses incurred by the Fund, the General Partner or the Management Company in connection with drafting, negotiating and entering into, and complying with, side letters, including their equivalents with respect to any Parallel Investment Vehicle or Feeder Vehicle, including any fees, costs and expenses incurred by the Fund, the General Partner or the Management Company in connection with any related "most favored nations" provision election process ("Side Letter Expenses");
- (l) fees, costs and expenses incurred in connection with compliance with environmental, social and governance (i.e., "ESG") standards or policies, if any, applicable to the Fund or the Management Company or to which they subscribe to now or in the future, in each case, to the extent that compliance with such ESG standards or policies has been agreed to with one or more investors, including investigation, training, monitoring, tracking, engagement, reporting and preparation of any documentation with respect thereto;
- (m) fees, costs and expenses related to holding meetings with one or more investors, including annual or special meetings of the Fund (which fees, costs and expenses will include Travel and Related Expenses incurred by (i) representatives of the Management Company, the General Partner or any portfolio company or (ii) other attendees of any such meetings, and the fees, costs and expenses incurred in connection with the preparation and presentation of

any media prepared in connection with such meetings, including speaker, entertainment, appearance and related fees, costs and expenses);

- (n) fees, costs and expenses incurred in connection with any default by an investor in respect of its available commitment;
- (o) fees, costs and expenses incurred in connection with (i) complying or monitoring compliance with the terms and provisions of the Partnership Agreement, any subscription agreement, any side letter, the investment management agreement and the equivalents of any of the foregoing with respect to any Parallel Investment Vehicle and (ii) obtaining or soliciting votes, consents, approvals or waivers under, or effecting amendments, restatements, modifications, changes, or any other revisions to, the terms or provisions of the Partnership Agreement;
- (p) fees, costs and expenses incurred in connection with transfers of interests (including any transfer that is not ultimately consummated) that are not otherwise borne by the applicable transferor or transferee;
- (q) fees, costs and expenses incurred by any member of the limited partner advisory committee in connection with the performance of his, her or its responsibilities as a member of the limited partner advisory committee, including Travel and Related Expenses and the Service Provider Compensation of any independent legal counsel appointed to assist the limited partner advisory committee as described above;
- (r) fees, costs and expenses incurred in connection with dissolving, liquidating, winding up and terminating the Fund;
- (s) fees, costs and expenses incurred in connection with sourcing, investigating, researching, evaluating, developing, initiating, negotiating, structuring, making, acquiring, closing, consummating, holding, monitoring, maintaining, financing, refinancing, pledging, restructuring or otherwise disposing of temporary investments;
- (t) fees, costs and expenses of any hedging transactions (intended to hedge currency exposure or manage the duration of interest rate exposure) that are not incurred in connection with any portfolio investment; and
- (u) the Fund's share (as determined by the General Partner in good faith) of any fees, costs and expenses of the types described in this definition of Operating Expenses or in the definition of Organizational Expenses incurred in connection with forming, managing, maintaining and disposing of any co-investment vehicle, including fees, costs and expenses that the Fund would otherwise not have borne but for the participation of the co-investors (by way of example only and without limitation, the incremental aggregator-level auditing and reporting, accounting and other administrative expenses).

“Broken Deal Expenses” means any and all fees, costs or expenses of the type set forth in the definition of “Expenses” incurred in connection with any proposed portfolio investment that is not consummated, including any fees (including commitment, termination and break fees, as well as “reverse” termination and break fees), or any deposits or working capital payments, that are payable or forfeited by the Fund in connection with any potential portfolio investment.

“Placement Fees” means any and all placement fees payable by, or in respect of, the Fund to any person or entity serving as a placement agent of any of the Fund in connection with the offering and

sale of interests, including the out-of-pocket expenses borne by any such placement agent in connection with such activities (but excluding indemnification payments paid to any such placement agent); provided, that fees, costs and expenses paid or reimbursed to local intermediaries will not constitute placement fees, but rather, will constitute Expenses.

“Service Provider Compensation” means compensation paid or provided to any Service Provider, which compensation could be performance or success-based or not performance or success-based and which, for any period, could be fixed (regardless of the amount of work performed by the Service Provider during such period), variable (depending on the amount of work performed by the Service Provider during such period) and which forms of compensation could include salary, bonus, securities (including direct or indirect interests in carried interest, management fees, transaction fees, break-up fees, monitoring fees or other fees), one-time or periodic fees (including retainer fees, success-based fees, board or finder’s fees), profits interests, expense reimbursements, co-investment rights with respect to one or more portfolio investments, and employee benefits or other similar forms of compensation, whether paid in cash or in kind.

“Service Providers” means service providers (including any investor or any affiliate thereof) engaged by any person or entity in connection with the operation, administration and carrying on of the business of such person or entity, including: accountants; auditors; administrators (including fund administrators or similar service providers who provide “back-office,” anti-money laundering and “know-your-customer” related services, including anti-money laundering reporting officers); legal counsel and any other attorneys, lawyers and legal professionals (including paralegals, legal assistants and legal interns); financial advisors, brokers, dealers, investment bankers, underwriters, valuation experts, appraisers and other similar professionals; credit providers; tax professionals; consultants (including Operating Team Members, information technology consultants, strategic consultants, management consultants, environmental consultants, “ESG” consultants, public relations consultants and other subject-matter consultants); due diligence experts; research, data, analytic, business intelligence (including “expert network”), modeling, structuring, pricing and execution service providers; software and related service providers; portfolio accounting and related service providers; placement agents, recruitment agents and finders; local intermediaries; depositories; trustees; agents; custodians and safe-keeping service providers; and any other service providers.

“Travel and Related Expenses” means fees, costs and expenses incurred in connection with: (a) travel by way of private or non-commercial aircraft; (b) travel by way of first or business class travel; (c) use of livery or other automotive (i.e., car) services, including reimbursement of mileage; (d) lodging and accommodations; (e) personal and business meals; and (f) business entertainment (in each case, irrespective of whether such fees, costs and expenses are incurred in connection with portfolio investment-related matters or the operation, administration or carrying on of the activities and operations of the Fund). In addition, investors should be aware that references herein and in the Partnership Agreement to Travel and Related Expenses will not necessarily be incurred solely in connection with portfolio investment-related travel, but could include such expenses incurred by TruArc personnel in connection with the discharge of their duties and responsibilities to the General Partner and the Management Company while remaining in the Management Company’s principal offices, including on an “after business hours” basis. Moreover, transportation fees, costs and expenses could include the payment or reimbursement of public transportation (such as bus or subway) fare, taxi fare, “black car” fares (including services provided by Uber, Lyft and other



similar vendors) and railway tickets and such meal expenses could include food ordered through delivery services, such as SeamlessWeb, GrubHub or Uber Eats.

#### *Fees for Services*

To the extent that the General Partner, the Management Company or any of their respective affiliates provide services to the Fund or any portfolio investment that would otherwise be performed by independent third parties (other than services expressly set forth in or contemplated by the Partnership Agreement or the Fund's investment management agreement), the General Partner, the Management Company or any such affiliate will receive fees at rates customarily charged for similar services in arm's-length transactions by persons engaged in the same or substantially similar activities and the provisions of any such agreement shall be at least as favorable to the Fund or such portfolio investment as the terms reasonably expected by the General Partner to be available in an arm's-length transaction with an independent third party.

#### *Operating Team Members*

As further described in Item 8 below, TruArc partners its investment team with professionals that have deep and functional operating experience with portfolio companies ("Operating Partners") as well as deal specific industry executives with direct knowledge of a target company's customers and competitors ("Operating Advisors") (collectively referred to as "Operating Team Members"). The Fund and each portfolio company are permitted to retain the services of one or more Operating Team Members. The Operating Team Members could be former, existing or prospective executives of portfolio investments or portfolio companies of Fund I, Fund II, and/or Fund III, industry executives or advisors (including deal-specific industry executives), research consultants, sourcing consultants, members of expert networks, operating executives and operating professionals, subject matter, industry or regulatory experts or other individuals acting in a similar capacity, and the scope of the services to be provided by any Operating Team Member could include advice with respect to existing and/or potential portfolio investments. Furthermore, Fund IV and each portfolio company is permitted to engage, retain or employ Operating Team Members in any manner it deems reasonable or desirable under the circumstances, including either as independent contractors or employees for U.S. federal income tax, labor or other purposes, and such engagements, retainers or employment can be with the Fund, the Management Company, any portfolio company or any of their affiliates. An employer of an Operating Team Member is permitted to terminate the engagement, retainer or employment of such Operating Team Member at any time and for any reason, in its sole and absolute discretion.

Upon the acquisition of a portfolio investment, it is expected that the Operating Team will be compensated by the relevant portfolio company and will participate in the management equity incentive programs. TruArc believes that the Operating Team's receipt of cash and equity consideration directly from the respective portfolio companies helps to create alignment between the Operating Team and portfolio company management. However, if a prospective portfolio investment is not consummated, compensation paid to the Operating Team will be borne by the Fund.

Although the General Partner and the Management Company intend to make all engagement, retainer or employment decisions for Operating Team Members in good faith and only to the extent that any such Operating Team Member possesses substantial, significant or otherwise relevant experience or expertise to serve in the capacities for which she, he or it is engaged, it will not always

be readily apparent that such decisions were necessarily made in such fashion and reasonable minds might disagree.

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

### *Carried Interest Distributions*

Carried interest distributions are described in Item 5 above. The existence of the General Partner's carried interest distributions might create an incentive for the General Partner to acquire riskier or more speculative portfolio investments on behalf of the Fund than would be the case in the absence of such performance-based compensation, although the General Partner's commitment to the Fund and the General Partner's clawback should tend to reduce this incentive.

The General Partner is permitted, at any time, and in its sole and absolute discretion, to agree with any investor to waive, reduce, or calculate differently all or any portion of the carried interest distributions with respect to such investor.

### *Holding Period Requirements for Long-Term Capital Gain*

Non-corporate U.S. persons (including the direct and indirect owners of the General Partner) are subject to U.S. federal income tax on long-term capital gain at rates that are substantially lower than the rates applicable to ordinary income or short-term capital gain. In general, gain from the disposition of an investment of the Fund held for more than one year will be treated as long-term capital gain. However, gain that is allocated to the General Partner in respect of carried interest distributions or capital contributions made by investors that are used to effect a portion of the General Partner's participation in the Fund's investment program (referred to in the Partnership Agreement as "incentive capital contributions") will be treated as short-term capital gain unless the Fund's holding period in the relevant investment is more than three years. This special rule does not apply to allocations to the General Partner of qualified dividend income in respect of carried interest distributions or "incentive capital contributions" and, therefore, these allocations will continue to qualify for the preferential tax rate for non-corporate persons. As a consequence, conflicts of interest will arise between the interests of the General Partner and the interests of the investors in connection with the General Partner's investment-related determinations. Such determinations include, but are not limited to, decisions with respect to sourcing, investigating, identifying, researching, evaluating, developing, initiating, negotiating, structuring, making, acquiring, closing, consummating, holding, monitoring, maintaining, financing, refinancing, pledging, restructuring or otherwise disposing of the Fund's investments. Prospective investors should consider these potential conflicts in making their investment decisions and expect that the General Partner's determinations might be influenced, in part, by the tax treatment of capital gain in respect of the carried interest distributions and "incentive capital contributions."

### *Co-Investment Opportunities*

The General Partner is permitted, in its sole and absolute discretion, to provide any person or entity, including (i) any investor or any of their respective affiliates, (ii) Fund III, (iii) any additional Fund, (iv) any Other Client Vehicle, (v) any portfolio company management team member, consultant or advisor or any of their respective affiliates, or (vi) any other person (including any third-party co-

investor), the opportunity to co-invest alongside the Fund in one or more portfolio investments, either simultaneously or subsequent to an investment by the Fund subject to such timing and other conditions as the General Partner determines. The General Partner is under no obligation whatsoever to make co-investment opportunities available to one or more of the foregoing persons or entities, including any investor. As a result, the General Partner could offer such opportunities in such proportions in its sole discretion to one or more investors to the exclusion of all other investors or to one or more other third-party co-investors in addition to, or to the exclusion of, any investors, especially when the General Partner is economically incentivized to do so. The General Partner will consider any factors it deems relevant in determining such allocations, including, without limitation, (a) the potential co-investor's size, sophistication, tenure as an investor with the Management Company or its affiliates generally (including, for this purpose, Snow Phipps or the Snow Phipps General Partners); (b) commitment to making co-investment funds available or expressed desire or interest to participate in co-investments; (c) the ability of a potential co-investor to commit to invest and execute on such investment in a time period acceptable to the General Partner; (d) the ability of a potential co-investor to commit to a significant portion of such opportunity; (e) the economic terms or commercial considerations on which a potential co-investor agrees to participate; (f) whether a potential co-investor provides strategic value in respect of such co-investment, such as by having relevant experience in the sector or existing relationships with management or other relevant parties; (g) the size of a potential co-investor's commitment to the Fund or Other Client Vehicle or, if it is not yet an investor of the Fund or an investor in such Other Client Vehicle, its willingness to make such a commitment to the Fund or Other Client Vehicle in connection with, in consideration of or in exchange for the opportunity to participate in a co-investment as a co-investor (or vice versa); (h) whether and to what extent a potential co-investor has accepted prior co-investment opportunities offered to it, whether by the Management Company or any of its affiliates (including, for this purpose, Snow Phipps or the Snow Phipps General Partners); (i) the ability of a potential co-investor to provide debt or other financing in connection with such investment; (j) the ability of a potential co-investor to enter into an equity commitment letter or similar agreement with respect to such co-investment in a timely fashion and on terms acceptable to the General Partner; or (k) any other tax, legal, regulatory, accounting or other relevant consideration, restriction or requirement or any such other factors as the General Partner deems relevant, which could include subjective determinations such as working relationships and strategic benefits to the Fund, Other Client Vehicles or to the General Partner, the Management Company, the Principals, any other TruArc personnel or any other affiliates of the General Partner. In addition to the foregoing, the General Partner is incentivized to afford co-investment opportunities to any investor (to the exclusion of other investors or other potential co-investors) with whom it has agreed to waive, reduce or calculate differently all or any portion of the carried interest distributions, management fee or one or more other categories of Expenses with respect to such investor unless such investor is afforded co-investment opportunities of a certain size or of a certain aggregate amount. Such agreements are typically memorialized by way of Side Letters.

There can be no assurance with respect to the existence or amount of any co-investment opportunity that will be made available, and nothing in the Fund Offering Documents constitutes a guarantee, prediction, or projection of the availability or size of future co-investment opportunities. There will be circumstances where an amount that could have otherwise been invested by the Fund is instead offered to one or more co-investors, even though the full investment limitations under the Partnership Agreement have not been reached. In other circumstances, co-investments will be made

available to and shared with co-investors, and thus not all amounts available to the Fund relating to a portfolio investment will be presented to the Fund as a result and the Fund will not acquire the entirety of the investment opportunity presented thereto. While such an offer of co-investment opportunity could be in the Fund's interest, for instance in order to increase diversification, such allocation could also (or will only) involve a benefit to the General Partner, the Management Company, the Principals, the other TruArc personnel or any other related parties, including, without limitation, incentivizing such potential co-investor to make a capital commitment to the Fund or any Other Client Vehicle (or to make a capital commitment of a certain size) or generating Co-Investment Economics (as defined below).

The terms of any such co-investment, including the management fees, performance fees, carried interest, incentive allocation and the fees, costs, expenses, liabilities and other obligations applicable to (or to be borne in connection with) such co-investment, if any, will be negotiated by the General Partner and the potential co-investor on a case-by-case basis in their respective sole and absolute discretion. Any such co-investments (i) will generally not be subject to management fees, performance fees, carried interest, incentive allocation or reimbursement for fees, costs, expenses, liabilities or other obligations that would otherwise be for the benefit of any General Partner affiliate (or reimbursements for fees, costs, expenses, liabilities or obligations that would otherwise be for the benefit of the Fund), although such co-investments could be subject to different or differently calculated management fees, performance fees, carried interest, incentive allocation or reimbursements for fees, costs, expenses, liabilities or other obligations as compared to the arrangements applicable to investors under the Partnership Agreement and (ii) could be subject to commitment fees, consulting fees, monitoring fees, administrative fees, advisory fees, structuring fees, transaction fees and other similar fees for the benefit of any General Partner affiliate or such co-investor (or, as compared to the arrangements applicable to investors under the Partnership Agreement, different or differently calculated commitment fees, consulting fees, monitoring fees, administrative fees, advisory fees, structuring fees, transaction fees and other similar fees (or not subject to any such fees at all) for the benefit of any General Partner affiliate or such co-investor), in each case, in the sole and absolute discretion of the General Partner (any such fees, compensation, reimbursements or obligations, or the arrangements therefor, as described in the foregoing clauses (i) and (ii), the "Co-Investment Economics"), will be negotiated by the General Partner and the potential co-investor on a case-by-case basis in their respective sole and absolute discretion. As described therein, Co-Investment Economics will be for the benefit of the applicable General Partner affiliate (or, to the extent such co-investor does not bear any fees, costs, expenses, liabilities or other obligations in connection with such co-investment, or is the recipient of any commitment fees, consulting fees, monitoring fees, advisory fees, structuring fees, transaction fees or other similar fees, for the benefit of such co-investor) and not for the benefit of the Fund or any investor. Because the management fee borne by the Fund will not be offset by any transaction fees, break-up fees and monitoring fees allocable to co-investors (and other owners for that matter), this will incentivize the General Partner to allocate a greater portion of the relevant investment to co-investors than it would otherwise in the absence of such an arrangement.

In addition to the foregoing, a co-investor could be granted rights (including, but not limited to, preemptive rights), or might otherwise be offered the opportunity to acquire, additional equity or debt securities or instruments of a portfolio company in connection with primary issuances, or in connection with secondary purchases, of such securities or instruments that are made available in

the context of an existing co-investment. Such rights or opportunities could also come in the form of the right or opportunity to provide financing to a portfolio company. A co-investor could also be granted “over-allotment” rights in connection with the exercise of such rights, which may be exercised in instances where other direct or indirect investors in the portfolio company (including the Fund) fail or elect not to exercise their rights. The result of the acquisition of any such equity or debt securities or instruments by a co-investor (or by the Fund in circumstances where such co-investor is not also acquiring any such equity or debt securities or instruments) could result in such co-investor owning securities or instruments in different proportions as compared to the Fund, or result in such co-investor owning securities or instruments in different parts of the capital structure of the applicable portfolio company as compared to the Fund. If all or a portion of such securities or instruments, particularly those in a different part of the capital structure as compared to the Fund, are held by such co-investor through a co-investment vehicle (or through aggregators or similar vehicles formed to facilitate co-investment) alongside the Fund, then conflicts of interest will arise as a result. Furthermore, a co-investor (including a co-investor who is also an investor in the Fund) typically has access to information that investors typically do not have access to, including by way of portfolio company-level reporting or portfolio company board membership or observer rights. A co-investor could also be granted liquidity rights similar to or different from those granted to the Fund, including but not limited to tag-along rights, drag-along rights, registration rights, redemption rights (by way of example, if a sale of a portfolio investment does not take place by an agreed upon date), put or call rights, rights of first refusal and rights of first offer, each of which may be exercised by the co-investor in a manner different from that of the Fund. The foregoing list is not intended to be exhaustive and, as such, the possibility of complex conflicts of interest cannot be foreclosed.

Finally, a co-investment involving the Fund and any co-investment vehicle controlled by the General Partner or its affiliates on a discretionary basis will generally be made and disposed of proportionally, at substantially the same time, and on substantially the same terms and conditions, as the Fund makes or disposes of the corresponding portfolio investment but could, in the General Partner’s sole discretion, be effected (i) by a purchase by the Fund of a portfolio investment from one or more of the relevant co-investor(s) or (ii) by way of a co-investment “sell down” that occurs within 12 months of the Fund’s original investment. In connection with any such co-investment “sell down”, the General Partner is permitted, but will not be obligated, to charge the applicable co-investor an amount calculated as notional interest on the portion of the portfolio investment acquired thereby (which could be calculated on the same basis as the preferred return, unless the General Partner determines otherwise in its sole discretion). To the extent charged with respect to the portion disposed of by the Fund, such amount could also be distributed on a pro rata basis to all partners in proportion to their respective capital contributions used to fund the acquisition cost of the applicable portfolio investment (and, with respect to any investor, such notional interest could be included as part of cumulative distributions for purposes of determining the preferred return). In the alternative, such notional interest could equal such co-investor’s pro rata share (based on its interest in the applicable portfolio investment made thereby) of the Borrowing Costs incurred in connection with any credit facility utilized in connection with consummating the portfolio investment subject to such co-investment “sell down”, which, to the extent charged, could be paid by the Fund to the applicable credit provider. The portion of the portfolio investment that is the subject of a co-investment “sell down” will be treated as a bridge financing for all purposes of the Partnership Agreement. For the avoidance of doubt, the General Partner will be permitted to cause Fund IV and Fund IV Parallel (and any other parallel investment vehicles) to participate in a co-investment “sell down” on a non-

pro rata basis (including by excluding one or more of such vehicles from such co-investment “sell down” entirely) in order to satisfy tax, legal, regulatory, accounting or other relevant considerations, restrictions or requirements (including of a commercial nature) applicable to the relevant co-investor acquiring the investment, and will also be permitted to cause Fund IV and Fund IV Parallel (and any other parallel investment vehicles) to acquire a portfolio investment on a non-pro rata basis in order to facilitate an anticipated co-investment “sell down” that will require such non-pro rata disposition to the relevant co-investor.

#### *Fees, Costs and Expenses Related to Co-Investment Transactions Not Borne by Co-Investors*

Although it is generally desired for co-investors that acquire a co-investment interest in one or more portfolio companies to bear their pro rata share of the various fees, costs, expenses, liabilities or obligations related to their co-investments, to the extent a particular co-investor (including a potential co-investor) does not pay (or does not agree to pay) its pro rata share of any such fees, costs, expenses, liabilities or obligations related to its co-investments (or potential co-investments), or a particular co-investor does not otherwise bear (or does not agree to bear) its pro rata share of any liability, obligation or other economic burden arising after its co-investment was originally consummated (by way of example only, by not participating in a guarantee of portfolio company indebtedness, or by not providing additional capital to a portfolio company experiencing a cash shortage or financial distress), then such fees, costs, expenses, liabilities or obligations will be borne entirely by the Fund or the applicable portfolio company. The foregoing could also result if the Fund seeks to, but is unable to, sell or dispose of a portion of the Fund’s interest in a particular portfolio investment to co-investors. In addition, in the context of co-investments that are not consummated, the Fund will bear unreimbursed Broken Deal Expenses in their entirety.

Without limiting the foregoing, the Fund will, from time to time, enter into equity commitment or similar arrangements whereby, subject to any applicable documentation, the Fund agrees that upon the closing of a transaction with respect to a potential portfolio company, it will purchase securities, assets or other property in a transaction. Furthermore, in certain instances the Fund will also enter into limited guarantees or similar arrangements whereby, subject to any applicable documentation, the Fund agrees that if a transaction with respect to a potential portfolio company is not consummated, it will pay a “reverse termination fee” or “reverse break-up fee” (often as a percentage of the total value of the transaction) to the seller. It is not anticipated that potential co-investors will be parties or subject to such equity commitment arrangements or limited guarantees (whether directly or on a back-to-back basis with the Fund). Therefore, the Fund will generally be responsible for the entire equity purchase price, reverse termination fee or reverse break-up fee, as applicable.

## **Item 7      Types of Clients**

TruArc provides discretionary investment management services to pooled investment vehicles such as Fund IV. TruArc does not provide specific investment advice with regard to the investors within the Fund.

The minimum commitment to the Fund by any investor will be \$5 million, although the General Partner reserves the right to accept commitments of lesser amounts in its sole and absolute

discretion.

The Fund only admits sophisticated investors that are “*accredited investors*,” as defined in Rule 501(a) of Regulation D under the Securities Act of 1933, and “*qualified purchasers*” (or “*knowledgeable employees*”), as defined in the Investment Company Act of 1940 (the “IC Act”) and the rules thereunder.

The General Partners, on behalf of each respective Fund, will enter into Side Letters with certain investors which provide such investors with additional or different rights than such investors have pursuant to the Fund Offering Documents. As a result of such Side Letters, certain investors have received additional rights (which may include expanded informational rights or preferential economic terms) which other investors have not and will not receive. The Management Company and the General Partner are not required to notify all investors of any such Side Letters or any of the rights or terms or provisions thereof, and are not required to offer such additional or different rights or terms to all investors. Further information regarding Side Letters is included in Item 8 below.

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

TruArc will continue to pursue the same middle-market strategy that the Senior Investment Team has executed in Fund I, Fund II and Fund III. The Firm will target investments in companies primarily headquartered in North America, generally with enterprise values ranging from \$100 million to \$500 million that are expected to require equity investments between \$50 million and \$150 million in the initial investment or through a series of transactions. The Fund’s investments are expected to primarily be in the form of controlling positions in companies achieved through leveraged acquisitions, build-ups, recapitalizations, growth equity buyouts and restructuring transactions.

TruArc currently has formalized relationships with Operating Partners with whom the investment team has been working with over a number of years, and the Firm may engage additional Operating Partners in the future. The current Operating Partners have previously served as senior executives (e.g., CEOs, Group Presidents or Executive Vice Presidents) for large companies in TruArc’s target sectors and they bring significant professional experience to Fund IV. Operating Partners work hand-in-hand with the investment team throughout the investment diligence process to identify actionable growth strategies and assess the company’s ability to execute on them. Following the acquisition of a portfolio investment it is expected that the Operating Partners will become integrally involved in supporting the management teams to define and advise on the execution plan for value creation from inception to exit. In addition, TruArc will draw from its network to engage Operating Advisors for individual portfolio investments. While Operating Partners allow TruArc to deliver a consistent investment approach that TruArc believes can be repeatable and referenceable in the market, Operating Advisors bring experiences directly relevant to best execution in a given sub-sector.

Consistent with the investment and operating experience of its Senior Investment Team and its Operating Partners, TruArc will target investments in the following target sectors: (i) specialty manufacturing and (ii) business services. Within each of the target sectors, the Firm will identify

what it believes to be attractive sub-sectors that lend themselves to TruArc's active operationally-focused investment approach:

- Within the specialty manufacturing sector, the Firm has Operating Partners focused on (i) industrial products and components; and (ii) packaging, materials and contract manufacturing.
- Within the business services sector, the Firm has Operating Partners focused on: (i) tech-enabled business services, (ii) commercial & industrial services, and (iii) distribution.

The Investment Team and Operating Partners expect to engage in dialogue with executives that will serve as Operating Advisors. The Firm will seek to utilize their relevant industry experience to complement TruArc's Operating Partners in order to identify and pursue other sub-sectors for middle-market investment. The Fund intends to pursue companies within the target sectors that generally exhibit the following characteristics: (i) multiple levers of identifiable growth opportunities, (ii) strong customer and industry relationships, (iii) high free cash flow or return on investment characteristics, and (iv) manageable risks. The Firm's investment approach is focused on leveraging industry expertise to identify and drive transformational changes. Execution of the strategy requires strong and deep management at the portfolio investment level. The Senior Investment Team and Operating Team will seek to work actively with portfolio investments to provide the management resources needed to execute and drive transformational initiatives.

The Firm intentionally focuses on companies with EBITDA between \$10 and \$50 million for several reasons. First, the Senior Investment Team has significant experience investing in middle-market companies. The Firm believes that this extensive and relevant experience should allow the Firm to source opportunities, efficiently identify attractive prospective opportunities that lend themselves to the Firm's operationally-focused approach, and execute value creation strategies. The Firm also believes that the middle market presents investment opportunities that have several attributes that the Firm seeks in its investments: (i) ability to pursue multiple levers of value creation, (ii) companies of this size can support the investment in deeper and more experienced management teams, (iii) during the Firm's ownership period, organic and acquisition strategies can drive transformational earnings growth, and (iv) the execution of the Firm's investment strategy potentially increases the types of exit alternatives and expansion of exit valuation and leverage metrics.

While Operating Partners allow the Firm to deliver a consistent investment approach that TruArc believes can be repeatable and referenceable in the market, Operating Advisors bring experiences directly relevant to best execution in a given sub-sector. Upon the acquisition of a portfolio investment, it is expected that the Operating Team will be compensated by the relevant portfolio company and will participate in the management equity incentive programs. The Firm believes that the Operating Team's receipt of cash and equity consideration directly from the respective portfolio company helps to create alignment between the Operating Team and company management. However, if a prospective portfolio investment is not consummated, compensation paid to the Operating Team will be borne by the Fund.

### Risk Factors



Investments in the Fund entail numerous risks of varying degrees of risk which should be undertaken only by investors capable of evaluating and bearing them. Risks include the potential loss of some or all of an investor's capital investment. Please also refer to each Fund's Offering Documents for more comprehensive information on risks.

#### *Highly Competitive Market for Investment Opportunities*

The success of Fund IV will depend on the availability and identification of suitable investment opportunities and Fund IV's ability to negotiate and arrange the closing of appropriate transactions and ability to arrange for the timely disposition of such investments. The activity of identifying, completing and realizing on attractive portfolio investments is highly competitive and involves a high degree of uncertainty, especially with respect to timing. There can be no assurance that Fund IV will be able to identify and complete portfolio investments which satisfy its investment objective, or realize the value of such portfolio investments or that it will be able to invest its commitments fully. The availability of investment opportunities will be subject to market conditions, the prevailing regulatory conditions or the political climate in industries and regions in which the Fund invests and other factors outside the control of the Fund. The Fund expects to encounter competition from other entities having similar investment objectives, such as other investment partnerships and corporations, business development companies, strategic and industry participants and other financial investors investing directly or through affiliates. Competition for appropriate investment opportunities will reduce the number of investment opportunities available to the Fund and adversely affect the terms upon which investments can be made. Such competition may be particularly acute with respect to participation by the Fund in auction proceedings and, specifically, those conducted pursuant to Section 363 of Title 11 of the United States Code, as amended (the "Bankruptcy Code") where Fund IV competes with other prospective bidders to acquire the assets of a distressed company through a bankruptcy court-supervised auction. Moreover, over the past several years, an ever-increasing number of private equity funds with objectives similar to those of Fund IV have been formed. Additional funds with similar investment objectives are likely to be formed in the future by other parties. Some of these competitors could have more relevant experience, greater financial resources and more personnel than the Fund. It is possible that competition for appropriate investment opportunities will increase, thus reducing the number of opportunities available to Fund IV and adversely affecting the terms upon which portfolio investments can be made.

#### *Uncertain Economic, Social and Political Environment*

Consumer, corporate and financial confidence could be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts (such as the current Russia/Ukraine conflict, as described below), localized or global financial crises, virus or disease epidemics such as the current COVID-19 pandemic or other sources of political, social or economic unrest. Such erosion of confidence could lead to or extend a localized or global economic downturn. A climate of uncertainty could reduce the availability of potential investment opportunities and increase 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 could have an adverse effect on the economy generally and on the ability of Fund IV and its portfolio

investments to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This could slow the rate of future investments by Fund IV and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn could have an adverse effect upon the Fund's portfolio investments.

Russia launched a large-scale invasion of Ukraine on February 24, 2022 and in response, governments in the United States and many other countries have imposed economic sanctions on certain Russian individuals, including Russian government officials and other government-linked individuals, and Russian corporate entities and financial institutions, banned certain Russian financial institutions from global payments systems that facilitate cross-border payments and have taken other economic and political measures and could also institute broader sanctions or other economic or political measures on Russia, which could result in the immediate freeze of Russian securities and/or funds invested in prohibited assets and/or other consequences. The extent and duration of the military action, the possibility of the conflict expanding beyond Ukraine and Russia and resulting sanctions and other economic or political measures and future market disruptions in the region and worldwide are impossible to predict, but could be significant and have a severe adverse effect on the region and collateral effects globally, including significant negative impacts on the global economy and the markets for certain securities and commodities, such as oil and natural gas, as well as other sectors. Such uncertainty could have an adverse effect upon the Fund's portfolio investments.

In recent years, the U.S. government has indicated its intent to alter its approach to international trade policy and in some cases to renegotiate, or potentially terminate, certain existing bilateral or multi-lateral trade agreements and treaties with foreign countries, and has made proposals and taken actions related thereto. For example, the U.S. government has imposed tariffs on certain foreign goods, including from China. Some foreign governments, including China, have instituted retaliatory tariffs on certain U.S. goods.

There is uncertainty as to the actions that may be taken under the current administration with respect to U.S. trade policy, including with China. Further governmental actions related to the imposition of tariffs or other trade barriers or changes to international trade agreements or policies, could further increase costs, decrease margins, reduce the competitiveness of products and services offered by current and future portfolio companies and adversely affect the revenues and profitability of companies whose businesses rely on goods imported from outside of the U.S.

### *Inflation*

Inflation risk is the risk that the value of certain investments or income thereon will be worth less in the future, as inflation decreases the value of money. As inflation increases, the real value of the Fund's investments can decline. Deflation risk is the risk that prices decline over time – the opposite of inflation. Deflation could have an adverse effect on the creditworthiness of the Fund's portfolio companies and could make defaults more likely, which would result in a decline in the value of the Fund's investments.

Companies in which the Fund invests could be sensitive to general downward swings in the global economy, including periods of sustained elevated inflation. Inflation in the United States, Europe

and other geographies has risen to levels not experienced in recent decades. It is difficult to determine whether these inflationary factors are transitory or should be expected to continue over the medium or long term. Inflation and rapid fluctuations in inflation rates have had and could continue to have very negative effects on the economies and securities markets (both public and private) of certain countries in which the investment opportunities could exist. There can be no assurance that high rates of inflation would not have a material adverse effect on the Fund's portfolio investments.

In addition, many world governments, as well as inter-governmental institutions, have undertaken and in some cases are still undertaking various and in some cases unprecedented forms of fiscal stimulus, including setting interest rates that are (and have been for extended periods) at historic lows. On the other hand, the U.S. Federal Reserve has recently raised certain benchmark interest rates multiple times in an effort to combat inflation and it has indicated that it expects continued interest rates in 2023.

Rising interest rates create downward pressure on the value of certain investments made by the Fund. Further, the Fund has faced, and could continue to face, difficulty in realizing value from investments due to sustained declines in equity market values as a result of concerns regarding interest rates. Additionally, rising interest rates, coupled with periods of significant equity and credit market volatility may potentially make it more difficult for TruArc Partners to find attractive opportunities for the Fund to exit and realize value from their existing investments.

The Fund's portfolio companies also regularly utilize the corporate debt markets to obtain financing for their operations. To the extent monetary policy, tax or other regulatory changes or difficult credit markets render such financing difficult to obtain, more expensive or otherwise less attractive, this may also negatively impact the financial results of those portfolio companies and, therefore, the investment returns on the Fund. In addition, to the extent that market conditions and/or tax or other regulatory changes make it difficult or impossible to refinance debt that is maturing in the near term, some of the Fund's portfolio companies may be unable to repay such debt at maturity and may be forced to sell assets, undergo a recapitalization or seek bankruptcy protection.

It cannot be predicted with certainty when, or how, these policies will change, but actions by the U.S. Federal Reserve and other central bankers should be expected to have a significant effect on interest rates and on the U.S. and world economies generally, which in turn could affect the performance of the Fund's investments. Such stimuli, unless successfully managed and scaled back and wound down at the appropriate time and in the appropriate amounts, together with the passing of U.S. legislation calling for historically significant amounts of government spending, run a severe risk of being inflationary. In addition, there is significant concern in macroeconomic terms about the general levels of indebtedness carried by certain governments. While bringing with it a range of issues, one of the consequences of an extended period of a higher-than-desired level of inflation is often to erode in real terms the value of government debt in a manner that reduces the economic cost in real terms of their payment obligations on such debt. This element of debt erosion will create an incentive for governments to be less robust in seeking to deal with inflation than might otherwise have been the case had the government concerned not suffered from a high level of indebtedness. If such inflation occurs it would have the negative consequences for the Fund's investments set out above.

Further financial crises could result in additional governmental intervention in the markets, the nature and substance of which are difficult to predict. In addition, the consequences of the extensive changes to the regulation of various markets and market participants contemplated by the legislation and increased regulation arising out of the financial crisis are difficult to predict or measure with certainty.

#### *U.S. Debt Limit*

In January 2023, the outstanding debt of the U.S. reached its statutory limit and the U.S. Treasury Department commenced taking extraordinary measures to prevent the U.S. from defaulting on its obligations. If Congress does not raise the debt ceiling, the U.S. could default on its obligations, including Treasury securities that play an integral role in financial markets. A default by the U.S. could result in unprecedented market volatility and illiquidity, heightened operational risks relating to the clearance and settlement of transactions, margin and other disputes with clients and counterparties, an adverse impact to investors, downgrades in the U.S. credit rating, further increases in interest rates and borrowing costs and a recession in the U.S. or other economies. Even if the U.S. does not default, continued uncertainty relating to the debt ceiling could result in downgrades of the U.S. credit rating, which could adversely affect market conditions.

#### *Banking Counterparty Risk*

The U.S. financial services industry has recently entered into a new period of uncertainty following a number of regional bank closures and receiverships. The actual and potential consequences of these closures and receiverships include limited liquidity, defaults, non-performance and other adverse developments amongst these financial institutions, giving rise to similar liquidity constraints and adverse developments among their transactional counterparties and customers. Concerns generally about these institutions, counterparties and customers – actual or perceived – have led and may continue in the future to lead to market-wide liquidity problems.

Specifically, on March 8, 2023, Silvergate Capital Corporation announced its intent to wind down the operations of and voluntarily liquidate Silvergate Bank. On March 10, 2023, Silicon Valley Bank (“SVB”) was closed by the California Department of Financial Protection and Innovation, which appointed the U.S. Federal Deposit Insurance Corporation (“FDIC”) as receiver. On March 12, 2023, Signature Bank was also put into receivership. On March 16, 2023, a syndicate of 11 of the largest U.S. banks deposited approximately \$30 billion into First Republic Bank, which had also been experiencing liquidity constraints, due in part to a significant outflow of deposits. Although all depositors of SVB regained access to their deposits after only one business day of closure and depositors of Signature Bank generally maintained access to their deposits, including in each case funds held in uninsured deposit accounts, depositors of another financial institution that is placed into receivership may experience longer delays in accessing their funds and may suffer losses with respect to uninsured deposits. In addition, borrowers under credit agreements, letters of credit and certain other financial instruments, a financial institution that is placed into receivership by the FDIC may be unable to or may be delayed in accessing undrawn amounts thereunder.

Accordingly, an investment into the Fund is subject to the risk that one or more banks, investment banks, brokers, hedging counterparties, lenders or other custodians of cash and other assets with whom the Fund (or one or more of its portfolio companies) does business (each, a “Financial Institution”) fail to perform their obligations or experience closure, receivership, bankruptcy or any other form of financial distress or difficulty, including insolvency (each, a “Distress Event”). Distress Events can be caused by a variety of factors, including eroding market sentiment, significant deposit withdrawals, fraud, malfeasance, poor performance or accounting irregularities. In the event a Financial Institution experiences a Distress Event, the Fund and/or its portfolio companies may not be able to access deposits, draw upon borrowing facilities or have access to other services for an extended period of time or ever. For example, if any of the Fund’s lenders were to be placed into receivership or bankruptcy, the Fund could be unable to access existing committed credit lines. In addition, if any of the Fund’s investors or other parties with whom the Fund conducts business are unable to access funds or credit lines with a Financial Institution, such parties’ ability to meet their obligations to the Fund or to enter into new arrangements requiring additional capital or payments to the Fund could be adversely affected. In this regard, counterparties to SVB credit agreements and arrangements, and third parties such as beneficiaries of letters of credit (among others), could experience direct impacts from the closure of SVB. Therefore, uncertainty remains over liquidity concerns in the broader financial services industry. Similar impacts have occurred in the past, such as during the 2008-2010 financial crisis.

Although deposits with an FDIC-insured bank are insured to applicable limits, which are generally \$250,000 per depositor and per ownership category, and securities and cash held by certain broker-dealers are insured by Securities Investor Protection Corporation (“SIPC”), amounts in excess of the relevant insurance limit are subject to risk of loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose increased risk of loss. Although in recent years governmental intervention has resulted in additional protections for depositors, there can be no assurance that governmental intervention will be attempted, and if it is, there can be no assurance that it will be successful or avoid the risk of loss, substantial delays or negative impact on banking or brokerage conditions or markets. It is also possible that there will be further involvement of governmental and other regulatory authorities in financial markets in the United States and/or around the world. The economic circumstances described above could continue or worsen in the future, and changes in general economic conditions are likely to affect the Fund’s activities, as well as those of its portfolio companies. For example, a Distress Event could have a potentially adverse effect on the ability of TruArc to manage the Fund and its investments, and on the ability of TruArc, the Fund and/or its portfolio companies to maintain operations, which in each case could result in significant losses and unconsummated investment acquisitions and dispositions. Such losses have the potential to include the Fund bearing additional fees and expenses in the event the Fund is not able to close a transaction (whether due to the inability to draw capital on a subscription facility provided by a Financial Institution experiencing a Distress Event, the inability or unwillingness of investors to make capital contributions or otherwise), as well the inability of the Fund to acquire or dispose of investments at prices that the General Partner believes reflect the fair value of such investments and/or the inability of portfolio companies to fund working capital needs (e.g., payroll), fulfill obligations or maintain operations.

TruArc expects to exercise contractual remedies under the agreements with Financial Institutions in the event of a Distress Event, however, there can be no assurance that such remedies will be

successful, permitted under applicable law or avoid losses or delays. In addition, many Financial Institutions require, as a condition to using their services or otherwise, that its customers 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 TruArc seeks to do business with Financial Institutions that it believes are creditworthy and capable of fulfilling their respective obligations to the Fund and its portfolio companies, TruArc is under no obligation to use a minimum number of Financial Institutions with respect to the Fund (and/or its portfolio companies), or to maintain account balances at or below the relevant insured amounts.

### *Proposed SEC Private Funds Regulation*

The SEC has recently proposed a number of new rules and amendments to existing rules under the Investment Advisers Act of 1940 (the “Proposed Private Funds Rules”) including new requirements related to quarterly statements, financial statement audits, prohibited activities and the preferential treatment of certain investors. The Proposed Private Funds Rules include a requirement for detailed quarterly disclosure to investors of private fund performance, fees and expenses (including disclosure of the compensation paid to the adviser and its affiliates) and additional portfolio investment-level disclosure. Advisers would also be prohibited from charging certain types of fees and expenses to private funds or their portfolio companies, seeking reimbursement, indemnification, exculpation, or limitation of liability related to certain actions of the adviser and allocating fees or expenses related to a portfolio investment on a non-pro rata basis among multiple private funds invested in the same portfolio investment. The Proposed Private Funds Rules would also prohibit granting certain types of preferential terms regarding redemption or information about portfolio holdings or exposures entirely (e.g., through side letters) and prohibit granting other preferential terms unless disclosed in writing to current and prospective investors. The SEC has also proposed changes to Form PF (the “Proposed Form PF Amendments”) which would require advisers to private equity funds to gather and report more information regarding fund strategies, use of leverage, fund investments in different levels of a single portfolio company’s capital structure, and portfolio company restructurings or recapitalizations. The Form PF Amendments would also require that advisers report certain events to the SEC within one business day of their occurrence. A separate cybersecurity rule proposal (the “Proposed Cybersecurity Rules” and together with the Proposed Private Funds Rules and the Proposed Form PF Amendments, the “Proposed Rules”) would require advisers to adopt and implement formal cybersecurity policies, report significant cybersecurity incidents to the SEC, and provide enhanced disclosure of cybersecurity risks and incidents to investors.

The comment period for each of the Proposed Rules were subject to the following deadlines: (i) March 21, 2022 for the proposed Form PF Amendments, (ii) April 11, 2022 for the Proposed Cybersecurity Rules and (iii) June 13, 2022 for the Proposed Private Fund Rules. The final version of the Proposed Rules adopted by the SEC could (but is not expected to) differ significantly from the Proposed Rules. In any event, there can be no guarantee as to the content of the final versions of the Proposed Rule. If adopted as proposed, the Proposed Rules are expected to increase the cost of operating the Fund and the time and resources that the General Partner, the Management Company and TruArc personnel will be required to devote to reporting and compliance matters. In addition, if adopted as proposed and without the benefit of any “grandfathering” with respect to

fund arrangements in place prior to the date of such adoption, the Proposed Rules could require the General Partner to amend the Partnership Agreement and/or the Fund's investment management agreement in order to comply with the Proposed Rules, and no consent will be required from any limited partner to effect such amendments. The effect of the Proposed Rules on the Fund, the General Partner, the Management Company, TruArc personnel or any of their respective affiliates could be substantial and potentially adverse.

### *Cybersecurity Risk*

Cybersecurity risks for investment funds have increased significantly in recent years because of, among other things: the proliferation of the internet and telecommunications technologies to conduct financial transactions; the increased dependence of portfolio companies on internet-connected technologies that are susceptible to disruption from cybersecurity threats; the degree to which investment managers collect and maintain proprietary data, nonpublic data and data compilations; and the increased sophistication and activities of organized crime, hackers, terrorists, and other external parties, including foreign state actors. Accordingly, each Fund, each General Partner, each Management Company and each Fund's portfolio companies will face cybersecurity threats to gain unauthorized access to sensitive information and systems, including, without limitation, information regarding such Fund's investors and investment activities, or to render data or systems unusable, which could result in significant losses. If such events materialize, they could lead to losses of sensitive information or capabilities essential to a Fund's, a General Partner's, a Management Company's, and portfolio companies' operations and could have a material adverse effect on their reputations, financial positions, results of operations or cash flows, and could lead to financial losses from remedial actions, loss of business, potential liability, or the disclosure of investors' personal information. Similarly, the public perception that a Fund, a General Partner, a Management Company or portfolio investments have been the target of a cybersecurity threat, whether successful or not, could have a material adverse effect on their reputations and could lead to financial losses from loss of business, depending on the nature and severity of the threat.

Cybersecurity attacks are evolving and include, but are not limited to, computer viruses, malicious or destructive code, phishing attacks, denial of service or information, attempts to gain unauthorized access to data, improper access by employees or vendors or other electronic security breaches that could lead to: disruptions in network access or business operations; unauthorized collection, monitoring, use or release of confidential or otherwise protected information; or loss, destruction or corruption of data. A Management Company's or a portfolio company's controls and procedures, business continuity systems, and data security systems could prove to be inadequate. These problems could arise in both a Management Company's or a portfolio company's internally developed systems and the systems of third-party service providers, upon which a Management Company or a portfolio company rely. Given the variety and potential severity of cybersecurity threats, a Management Company, portfolio companies, and the third-party service providers' upon which they rely may not have adequate insurance coverage to compensate against all losses.

### *Environmental Hazards; Hazardous Materials*

Under international, federal, state or local environmental laws and regulations, owners, operators, tenants and lessees of property could be liable for the clean-up and removal of hazardous substances,

regardless of fault. Even where the present owner, operator, tenant or lessee was not responsible for placing the hazardous substances on the property or where the property was contaminated prior to the time the owner took title or the entity began operations, such person could be held strictly and retroactively liable for all related liabilities and costs. If any property acquired, operated or leased by a portfolio investment was found to have an environmental problem, the portfolio investment could incur substantial costs and Fund IV could suffer a complete loss of its investment in such portfolio investment. In addition, a portfolio investment could have historically or currently used or otherwise incorporated hazardous materials in their products. Such activities could subject such portfolio investment to product liability claims which claims could result in substantial costs.

### *Valuation and Changing Accounting Standards*

The valuation of the assets of Fund IV will affect its reported performance. The Fund's portfolio investments generally will have no, or a limited, liquid market, and the fair value of such portfolio investments may not be readily determinable. There is no assurance that the value assigned to a portfolio investment at a certain time will accurately reflect the value that will be realized by the applicable Fund upon the eventual disposition of the portfolio investment and the performance of Fund IV could be adversely affected if such valuation determinations are materially higher than the value ultimately realized upon the disposition of the portfolio investment.

Specifically, for purposes of financial reporting that is compliant with U.S. generally accepted accounting principles ("GAAP"), the Fund is required to follow the requirements for valuation set forth in Accounting Standards Codification 820 ("ASC 820"), "Fair Value Measurements and Disclosures" (formerly, Financial Accounting Standards No. 157, "Fair Value Measurements"), which defines and establishes a framework for measuring fair value under GAAP and expands financial statement disclosure requirements relating to fair value measurements. Additional Financial Accounting Standards Board ("FASB") Statements and guidance and additional provisions of GAAP that could be adopted in the future could also impose additional, or different, specific requirements as to the valuation of assets and liabilities for purposes of GAAP-compliant financial reporting. Except as described below, each General Partner and Management Company will apply ASC 820 and other relevant FASB statements and guidance to the valuation of Fund IV's assets and liabilities.

ASC 820 and other accounting rules applicable to investment funds and various assets in which they invest are also subject to change. Such changes could adversely affect Fund IV. For example, changes in the rules governing the determination of the fair value of assets to the extent such rules become more stringent would tend to increase the cost and/or reduce the availability of third-party determinations of fair value. This could in turn increase the costs associated with selling assets or affect their liquidity due to inability to obtain a third-party determination of fair value.

Notwithstanding the foregoing, Fund IV's General Partner and Management Company will determine in certain instances to assign to a particular asset or liability a different value under the terms of the constituent documents than the value assigned to such asset or liability for financial reporting purposes (in particular, the value assigned to such asset or liability as required by GAAP). In particular, Fund IV's General Partner and Management Company will not apply GAAP when determining whether a security has become "worthless" or whether an asset has otherwise been disposed of (e.g., whether it has declined in value for the purposes of determining distributions



(including, without limitation, carried interest distributions) and management fees payable by Fund IV).

Accordingly, investors should only expect such assets and liabilities to be valued in accordance with GAAP for purposes of preparing the Fund's GAAP-compliant audited financial statements. Otherwise, except as expressly required by the terms of the Fund Offering Documents, for all other purposes (including, without limitation, for purposes of determining carried interest distributions, management fees, and allocating gains and losses), investors should expect such assets and liabilities to be valued without regard to any GAAP requirements relating to the determination of fair value.

The Fund's General Partner and Management Company will change its valuation procedures and methods from time to time to reflect market practice, regulatory requirements, or other factors it deems appropriate.

#### *Outbreaks of Infectious or Contagious Diseases*

Pandemics and other widespread public health emergencies have and are resulting in market volatility and disruption, and future emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which could result in significant losses to the Fund.

From 2020 to 2022, in response to the COVID-19 pandemic, many countries took measures to limit the spread of the virus, including instituting quarantines or lockdowns, imposing travel restrictions and vaccination mandates for certain workers or activities and limiting operations of certain non-essential businesses. Such restrictions caused labor shortages and disrupted global supply chains, which contributed to prolonged disruption of the global economy.

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

The COVID-19 crisis and any other public health emergency could have a significant adverse impact and result in significant losses to the Fund or one or more of its portfolio investments. The extent of the impact on the Fund and its portfolio investments' operational and financial

performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact could 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 could limit the ability of the Fund to source, diligence and execute new investments and to manage, finance and exit investments in the future, and governmental mitigation actions could constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy the Fund intends to pursue, all of which could adversely affect the Fund's ability to fulfill its investment objectives. They could also impair the ability of the portfolio investments or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences.

The operations of the Fund and Other Client Vehicles, their portfolio investments, the General Partner and the Management Company generally could also be significantly impacted, or even temporarily or permanently halted, as a result of future government quarantine measures, restrictions on travel and movement, remote-working requirements and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity's personnel. These measures could 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. In addition, a widespread reoccurrence of COVID-19, or the occurrence of another pandemic or global health crisis, could increase the possibility of periods of increased restrictions on business operations, which may adversely impact our business, financial condition, results of operations, liquidity and prospects materially and exacerbate many of the other risks discussed in this "Risk Factors" section.

#### *TruArc Personnel and Management Team*

The General Partner, the Management Company, the Principals, the other TruArc personnel and other related parties will have conflicts of interest in allocating their time and services among TruArc's various business activities (including, for this purpose, Snow Phipps' various business activities). For example, all or substantially all of the TruArc personnel currently work and will continue to work on other projects, including existing and future Other Client Vehicles (including, for this purpose, Fund I, Fund II, and Fund III), the investments of such funds and TruArc's (and certain of Snow Phipps') other existing and potential business activities. In addition, such personnel will participate in the management of the investment activities of such Other Client Vehicles concurrently with their obligations to the General Partner, the Management Company and/or the Fund. None of the investors will have an interest in investments made by such Other Client Vehicles solely by reason of their investment in the Fund. It is possible that the investments held by such Other Client Vehicles could be in competition with or otherwise conflict with those of the Fund.

Conflicts of interest will also arise when TruArc personnel serve as directors of, or in similar governance roles for, any of the portfolio companies. In those instances where the Fund is not the sole shareholder of the applicable portfolio company, in addition to any duties such persons owe to

the Fund, if any, as directors of or in similar governance roles for portfolio companies, such persons should be expected to owe fiduciary duties to the other shareholders of such portfolio companies, which could be Other Client Vehicles, and to persons other than the Fund and Other Client Vehicles. In general, such positions are often important to the Fund and such Other Client Vehicle's investment strategy and could have the effect of enhancing the ability of the Management Company or other related parties to manage investments. However, such positions could also have the effect of impairing the ability of the Management Company or other related parties to cause the Fund and such Other Client Vehicles to sell the related securities when, and upon the terms, it otherwise desires. In addition, such positions could place TruArc personnel in a position where they must make a decision that is either not in the best interest of the Fund or not in the best interest of the other shareholders of the portfolio company—for example, in situations involving bankruptcy or the near-insolvency of a portfolio company, actions that may be in the best interest of the portfolio company may not be in the best interest of the Fund, and vice versa. Should such personnel make a decision that is not in the best interest of the other shareholders of a portfolio company, such decision could subject the Management Company, other related parties and the Fund to claims that they would not otherwise be subject to as an investor, including claims of breach of the duty of loyalty, securities claims and other director-related claims. In addition, because of potential conflicting duties, the Management Company could be restricted in choosing portfolio investments, which could negatively impact returns received by the Fund.

#### *Reliance on the General Partner, the Management Company and the Principals*

Decisions made with respect to the management of Fund IV will be made by the General Partner and the Management Company. The respective General Partner and the Management Company will have exclusive responsibility for Fund IV's activities and, other than as set forth in the Partnership Agreement, investors will not be able to make investment or other decisions with respect to the management of the respective Fund. The success of Fund IV will depend on the ability and expertise of the respective General Partner and the Management Company to identify and consummate suitable investments, to improve the operating performance of portfolio investments and to dispose of the portfolio investments of Fund IV at a profit. There can be no assurance that each of the principals will continue to be associated with the General Partner or the Management Company throughout the life of Fund IV. The loss of the services of one or more of the principals could have a material adverse effect on Fund IV's ability to realize its investment objectives. Furthermore, the Management Company believes that the principals have considerable expertise in the buyout sector, but there is no means of predicting whether they will successfully implement Fund IV's investment strategy, especially during changing economic conditions. Competition in the financial services industry for qualified investment professionals and other personnel is intense, and there is no guarantee that the talents of the principals could be replaced. The success of Fund IV depends on the Management Company's ability to identify and willingness to provide acceptable compensation arrangements to attract, retain and motivate talented investment professionals and other personnel. Such compensation arrangements could provide that a principal or other TruArc personnel will, in certain circumstances after the individual is no longer employed or retained by the General Partner or the Management Company, be granted a continuing interest in respect of particular portfolio investments.

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

Investors will generally have no opportunity to control the operations of Fund IV, including, without limitation, its investment and disposition decisions and decisions regarding the selection of service providers and the operation of the portfolio investments. The investors will also have no opportunity to evaluate any economic, financial, and other information that will be utilized by the Management Company in its selection of portfolio investments. In addition, to the extent that an investor is not represented on the limited partner advisory committee, such investor will have no influence over matters submitted to the limited partner advisory committee for review or approval.

### *Control Position; Board Participation*

The General Partner intends to seek certain investment opportunities that allow Fund IV to either acquire control or exercise influence over the management, operation and strategic direction of certain portfolio investments in which it invests. Accordingly, the Fund will from time-to-time designate directors and/or observers to serve on the boards of directors or similar governing body of portfolio investments. Moreover, in its efforts to avoid having the assets of the Fund constitute “plan assets” of any plan subject to Title I of ERISA or Section 4975 of the Code, the General Partner could, in this regard, elect to operate one or more Parallel Investment Vehicles as a VCOC (as defined below). Operating as a VCOC would require that the relevant Parallel Investment Vehicle obtain rights to participate substantially in or influence the conduct of the management of a number of portfolio investments that represent a majority of the Parallel Investment Vehicle’s investment.

The designation of directors or similar persons, and the exercise of control and/or significant influence over a portfolio investment generally, could expose the assets of the Fund and its Parallel Investment Vehicles to claims by a portfolio investment, its security holders, its creditors and its regulators. The exercise of control and/or significant influence over a company imposes additional risks of liability for regulatory non-compliance, environmental damage, product defects, pension liabilities, failure to supervise management, violation of government regulations and other types of liability in which the limited liability generally characteristic of business operations could be ignored. If these liabilities were to occur, then Fund IV could suffer significant losses in its investments. While the General Partner intends to manage Fund IV in a way that will minimize exposure to these risks, the possibility of successful claims cannot be precluded. Furthermore, in certain circumstances, the General Partner could allocate certain control or management rights in investments disproportionately among the Fund and its Parallel Investment Vehicles, in light of legal, tax, regulatory and other considerations.

Although such board positions in certain circumstances will be important to Fund IV’s investment strategy and are intended to enhance the General Partner’s and the Management Company’s ability to manage the portfolio investments, they could also have the effect of impairing the General Partner’s ability to sell the related securities when, and upon the terms it otherwise desires, and could subject the respective General Partner, the Management Company, Fund IV and others to claims they would not otherwise be subject to as an investor, including claims of breach of fiduciary duties, violations of securities laws and other director related claims. In general, the indemnified parties (including the General Partner and the Management Company) will be entitled to indemnification by the Fund for such claims, subject to limited exceptions.

### *Financial Leverage*

The Fund expects that certain of its portfolio investments will maintain financial leverage, and Fund IV could lever a portfolio investment in order to achieve this goal. Such leverage could be substantial. Utilization of leverage will result in fees, costs and expenses, including interest expense, to the Fund or its portfolio investments. If the portfolio investment is unable to refinance in order to maintain the desired amount of financial leverage, the Fund could realize lower than expected returns from the relevant portfolio investment and hold a larger than expected investment therein. The leveraged capital structure of such portfolio investments could significantly increase their exposure to adverse economic factors, such as rising interest rates, downturns in the economy or deterioration in the condition of such portfolio investments or their respective industries. Furthermore, leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and could impair its ability to finance future operations and capital needs or to pay principal and interest on the Fund's portfolio investments when due. If a portfolio investment cannot generate adequate cash flow to meet debt obligations, for example, Fund IV could suffer a partial or total loss of capital invested in the portfolio investment. In addition, there can be no guarantee that debt facilities will be available at commercially attractive rates throughout the life of the Fund or when due for refinancing such that the applicable portfolio investment will be exposed to less favorable terms or rates upon a refinancing, or that any facilities negotiated will be fully utilized.

The Fund's assets, including any portfolio investments made by the Fund and any capital held by the Fund, will be available to satisfy all liabilities and other obligations of the Fund. If the Fund or a portfolio investment defaults on secured indebtedness, for example, the lender could foreclose and Fund IV could lose its entire investment in the security for such loan. If Fund IV itself becomes subject to a liability, parties seeking to have the liability satisfied could have recourse to Fund IV's assets generally and they would therefore not be limited to any particular asset, such as the portfolio investment giving rise to the liability.

### *Investments in Restructurings or Underperforming Companies*

The Fund could make portfolio investments that are experiencing or are expected to experience financial difficulties, from which such companies never recover. Such portfolio investments could, in certain circumstances, subject the Fund to additional potential liabilities, which could exceed the value of Fund IV's original investment therein. Such portfolio investments of Fund IV could also be subject to U.S. federal bankruptcy law and U.S. state fraudulent transfer laws, which vary from state to state, if the securities relating to such portfolio investments were issued with the intent of hindering, delaying or defrauding creditors or, in certain circumstances, if the issuer receives less than reasonably equivalent value or fair consideration in return for issuing such securities. If such portfolio investments constitute debt and such debt is used for a buyout of shareholders, this risk is greater than if the debt proceeds are used for day-to-day operations or organic growth. If a court were to find that the issuance of the securities was a fraudulent transfer or conveyance, the court could void the payment obligations under the securities, further subordinate the securities to other existing and future indebtedness of the issuer or require the Fund to repay any amounts received by it with respect to the securities. In the event of a finding that a fraudulent transfer or conveyance occurred, the Fund would be unlikely to receive any repayment on the securities.

Under the Bankruptcy Code, a lender that has inappropriately exercised control of the management and policies of a company could have its claims against the company subordinated or disallowed or could be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments to the Fund and distributions by Fund to the investors could be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment. Such debt could also be disallowed or subordinated to the claims of other creditors if Fund IV is found to have engaged in other inequitable conduct resulting in harm to other parties. The Fund's investment could be treated as equity if it is deemed to be a contribution to capital, or if Fund IV attempts to control the outcome of the business affairs of a company prior to its filing under the Bankruptcy Code. While Fund IV will attempt to avoid taking the types of action that would lead to such liability, there can be no assurance that such claims will not be asserted or that Fund IV will be able successfully to defend against them.

### *Illiquid and Long-Term Investments*

Although a portfolio investment could occasionally generate current income, the return of capital and the realization of gains, if any, from a portfolio investment will generally occur only upon the partial or complete disposition or refinancing of such portfolio investment. While portfolio investments can be sold at any time, it is generally expected that the disposition of most of Fund IV's portfolio investments will not occur for a number of years after such portfolio investments are made. It is unlikely that there will be a public market for the securities held by Fund IV at the time of their acquisition, and such securities could require a substantial length of time to liquidate. The Fund generally will not be able to sell the securities it holds of any portfolio investment publicly unless their sale is registered under applicable securities laws or unless an exemption from such registration requirements is available. In addition, in some cases Fund IV could be prohibited or limited by contract from selling certain securities held by it for a period of time, and as a result, will not be permitted to sell a portfolio investment at a time it might otherwise desire to do so. In light of the foregoing, it is likely that no significant return from the disposition of Fund IV's portfolio investments will occur for a substantial period of time from the effective date of the respective Fund.

### *Valuation of Illiquid Assets*

The process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values are likely to differ from values that would have been determined had a ready market existed for such securities and are likely to differ from the prices at which such securities are ultimately sold. Third-party pricing information could at times not be available regarding certain of Fund's assets. Moreover, because the General Partner will determine the value of such assets, the General Partner will have an obvious conflict of interest in making that determination, given the potential impact of such valuations on the Management Fee and the Fund's performance results.

### *Equity Securities*

Among other investments, Fund IV expects to invest in common and preferred stock and other equity securities, including both public and private equity securities. Equity securities generally involve a high degree of risk and will be subordinate to the debt securities and other indebtedness of the issuers of such equity securities. Prices of equity securities generally fluctuate more than prices of debt securities and are more likely to be affected by poor economic or market conditions.

In some cases, the issuers of such equity securities could be highly leveraged or subject to other risks such as limited product lines, markets or financial resources. In addition, actual and perceived accounting irregularities can cause dramatic price declines in the equity securities of companies reporting such irregularities or that are rumored to be subject to accounting regularities. The Fund could experience a substantial or complete loss on individual equity securities.

### *Debt Investments*

To the extent Fund IV acquires debt investments, such debt investments could be unsecured and structurally or contractually subordinated to substantial amounts of senior indebtedness, all or a significant portion of which could be secured and bearing floating interest rates. Moreover, such debt investments are generally not protected by financial covenants or limitations upon additional indebtedness and there is no minimum credit rating for debt investments. Other factors could materially and adversely affect the market price and yield of such debt investments, including investor demand, changes in the financial condition of the applicable issuer, government fiscal policy and domestic or worldwide economic conditions. Debt investments will also entail normal credit risks (*i.e.*, the risk of non-payment of interest and principal). Moreover, a debt investment bearing “paid-in-kind” interest will generally have a higher risk of non-payment of interest since there will be no cash payments of interest from the borrower prior to maturity or refinancing. In addition, a debt investment could be subject to redemption at the option of the issuer. If a debt investment held by a Fund is called for redemption, Fund IV will be required to permit the issuer to redeem such investment, which could have an adverse effect on Fund IV’s ability to achieve its investment objective.

### *Subordination*

The senior equity, junior debt securities or other similar investments of the Fund will typically be subordinated to the senior obligations of an issuer, either contractually, in the case of debt securities, or because of the nature of the security, in the case of preferred stock, or structurally, in the case of an investment at the holding company level. Such subordinated investments can be characterized by greater credit risks than those associated with the senior obligations of the same issuer. Adverse changes in the financial condition of an issuer, general economic conditions, or both can impair the ability of such issuer to make payments on the subordinated securities and result in defaults on such securities more quickly than in the case of the senior obligations of such issuer.

### *Unsecured Loans and Collateral Impairment*

In the event Fund IV makes a debt investment and the borrower underlying such debt investment defaults, Fund IV might not receive payments to which it is entitled and thereby could experience a decline in the value of its portfolio investments in the borrower. If Fund IV invests in debt that is not secured by collateral, in the event of such default, Fund IV will have only an unsecured claim against the borrower. In the case of loans that are secured by collateral, while the Management Company generally expects the value of the collateral to be greater than the value of such loans, the value of the collateral could actually be equal to or less than the value of such loans or could decline below the outstanding amount of such loans subsequent to the Fund’s investment. The ability of the Fund to have access to the collateral could be limited by bankruptcy and other insolvency laws. Under certain circumstances, the collateral could be released with the consent of the lenders or pursuant to the terms of the underlying loan agreement with the borrower. There is no assurance

that the liquidation of the collateral securing a loan would satisfy the borrower's obligation in the event of non-payment of scheduled interest or principal, or that the collateral could be readily liquidated. As a result, the Fund might not receive full payment on a secured loan portfolio investment to which it is entitled and thereby could experience a decline in the value of, or a loss on, such portfolio investment.

#### *Minority Investments*

The Fund could also make minority equity investments in portfolio investments where it could have more limited influence. In such a case, it will primarily be the responsibility of management teams and boards of directors of such companies, which could include representation by other investors whose interests could conflict with the interests of the Fund, to operate the portfolio investments on a day-to-day basis. Such portfolio investments could have economic or business interests or goals that are inconsistent with those of Fund IV, and Fund IV may not be in a position to limit or otherwise protect the value of its portfolio investments. The Fund's control over the investment policies of such portfolio investments could also be limited. This could result in Fund IV's portfolio investments being frozen in minority positions that incur substantial losses. In addition, if a Fund takes a minority position in publicly-traded securities as a "toehold" investment, such publicly-traded-securities could fluctuate in value over the limited duration of Fund IV's portfolio investment in such securities, which could potentially reduce returns to the investors. Therefore, there can be no assurance that Fund IV will be able to realize the value of any such portfolio investments and distribute proceeds in a timely manner. In addition, although the Fund plans to seek board representation in connection with its minority portfolio investments, there is no assurance that such representation, if sought, will be obtained. Further, Fund IV could have no right to appoint a director and a limited ability to protect its interests in such companies and to influence such companies' management.

#### *Co-Investments with Third Parties*

The Fund will from time to time co-invest with third parties through jointly owned acquisition vehicles, partnerships, joint ventures or other structures. The Fund could be a minority investor in these circumstances. In such cases, the Fund will be significantly reliant on such third parties, the existing management or the board of directors of such companies, which would include representation of other financial investors with whom the Fund is not affiliated and whose interests could conflict with the interests of Fund IVs. Furthermore, Fund's ability to control its equity investments will depend upon the nature of the joint investment arrangements with such third-party co-venturers or partners and the Fund's relative ownership stake in such investments. In addition, such arrangements could restrict the Fund's ability to dispose of its investments for potentially significant periods of time. Such investments will involve risks not present in investments where a third party is not involved. A third-party co-venturer or partner with a Fund could have financial difficulties resulting in a negative impact on such investment, could have economic or business interests or goals which are inconsistent with those of Fund IV or could be in a position to take (or block) action inconsistent with Fund IV's investment objectives. The Fund could be liable for the actions of its third-party co-venturers or partners. Co-investments could also involve higher costs than other investments, such as management fees, performance fees, carried interest, incentive allocation or reimbursements for fees, costs and expenses payable to or liabilities or other obligations to such third-party co-venturers or partners. Third-party co-venturers or partners potentially could include investors. Although the Fund may not have control over these investments



and, therefore, could have a limited ability to protect its position therein, Fund IV generally expects that appropriate minority investor rights will be obtained to protect its interests to the extent possible. There can be no assurance, however, that such minority investor rights will be available or that such rights will provide sufficient protection of Fund IV's interests or that such rights will be controlled by Fund IV.

### *Foreign Investments*

Although Fund IV's investment strategy is to make private equity investments in middle market companies based in North America, it is permitted to invest outside of North America subject to limitations as set forth in the Fund Governing Documents. Portfolio investments in foreign securities involve certain risks not typically associated with investing in U.S. securities, including risks relating to (a) currency exchange matters, including fluctuations in the rate of exchange between U.S. dollar and the various foreign currencies in which the Fund's foreign portfolio investments are denominated, and costs associated with the conversion of investment principal and income from one currency into another; (b) differences between the U.S. and foreign securities markets, including potential price volatility in, and relative illiquidity of, some foreign securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation in some countries; (c) certain economic, social and political risks, potential regulations and restrictions on foreign investment and repatriation of capital, the risks of political, economic or social instability and the possibility of expropriation or confiscatory taxation; (d) foreign governmental approvals and compliance with foreign laws, (e) the possible imposition of foreign taxes on income and gains recognized with respect to such securities, (f) less developed corporate laws regarding fiduciary duties and the protection of investors and (g) rudimentary anti-fraud and insider trading regulations. The Fund's returns on its U.S. portfolio investments are not indicative of the results it could achieve on investments located in foreign countries. There could be no prohibitions or restrictions on the ability of management to terminate existing business operations, sell or otherwise dispose of a portfolio investment's assets, or otherwise materially affect the value of the company without the consent of the company's shareholders. Anti-dilution protection also could be very limited. In certain countries, the concept of fiduciary duty on the part of the management or directors of companies to shareholders could be limited. The legal systems in certain countries could offer no effective means for Fund IV to seek to enforce its rights or otherwise seek legal redress or to seek to enforce foreign legal judgments. In addition, if Fund IV were to invest in foreign securities, the scope and nature of Fund IV's due diligence activities in connection with portfolio investments in certain countries will be more limited than due diligence reviews conducted in more developed economies because reliable information is often unavailable or prohibitively costly to obtain. The lower standards of due diligence and financial controls in investments in certain countries increase the likelihood of material losses on such investments. Furthermore, Fund IV might not be in a position to take legal or management control of its portfolio investments in certain countries. It may not have legal recourse in the event of a dispute, and remedies might have to be pursued in the courts of the country in question where it could be difficult to obtain and enforce a judgment.

In addition, certain foreign countries have experienced substantial, and in some periods extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates have had and could continue to have very negative effects on the economies and securities markets (both public and private) of certain countries in which investment opportunities exist. If Fund IV were to

invest in companies domiciled outside of the United States, there could be no assurance that high rates of inflation outside of the United States would not have a material adverse effect on the portfolio investments of Fund IV.

### *Use of Credit Facilities*

Subject to certain restrictions set forth in the Fund Offering Documents, the respective General Partner is permitted to cause Fund IV to (a) borrow money for the purpose of making portfolio investments, bridge financings or follow-on investments or paying Expenses or the management fee, (b) guarantee loans or other extensions of credit made to any credit facility borrower, portfolio investment (or to any affiliate thereof) or any vehicle formed to effect a portfolio investment in such portfolio investment in order to preserve, enhance or make available a portfolio investment and (c) finance or refinance the purchase price of any portfolio investment or an investment therein (by means of any “back-leverage”, asset-based or similar financing of or with respect to one or more portfolio investments or any other credit facility that, in each case, is not a capital commitment facility). The General Partner is permitted to cause Fund IV, any alternative investment vehicle or subsidiary vehicle to enter into a credit facility, whereby the Fund could incur indebtedness in accordance with clause (a), (b) or (c) above, including on a joint and several, or cross-collateralized basis with, or for the benefit of, any one or more credit facility borrowers (and, in connection with any such credit facility that is entered into on a joint and several or cross-collateralized basis, the respective General Partner is permitted to cause only one or a certain subset of Fund IV and such other credit facility borrowers to draw down the entire amount of such credit facility). In connection with any such credit facility, the respective General Partner is permitted to pledge, mortgage, assign, transfer and grant a security interest in any of the General Partner’s or the Fund’s rights under the Fund Offering Documents and/or on Fund IV’s or other applicable credit facility borrower’s securities, assets or other property, including (x) any portfolio investment or the securities, assets or other property of one or more portfolio investments and (y) the right to initiate capital calls and collect the available commitments of the investors, the obligations of the investors to make capital contributions and other required payments to Fund IV, and any other assets, rights or remedies of Fund IV or the respective General Partner under the Fund Offering Documents or under any subscription agreement. This will limit the investors’ ability to use their interests in a Fund as collateral for other indebtedness (which in any case would be subject to the consent of the respective General Partner in its sole discretion). In addition, the inability of Fund IV to repay such borrowings could enable a lender to take action against any investor to the extent of its then available commitment in Fund IV.

If Fund IV borrows money or obtain financing, then it is possible that the Fund’s interim and longer term capital needs will be satisfied through such borrowings or financings, and drawdowns of capital contributions by Fund IV, including those used to pay interest on borrowings or financings, could be “batched” together into larger, less frequent capital calls (although actual timing and amounts can vary). Furthermore, because Fund IV intends to use such borrowings or financings to fund portfolio investments, Organizational Expenses, Operating Expenses and the management fee, often in advance of calling capital from investors, (i) the internal rate of return experienced by any investor will differ from what it would have been had such borrowings or financings not been used and (ii) to the extent such internal rate of return is calculated based on the actual dates of capital contributions from, and distributions to, the investors, the use of borrowing and financings in lieu of calling capital will cause the date of contribution to be later in time resulting in a higher rate of

return. Accordingly, the respective General Partner will have an incentive to fund the acquisition of portfolio investments and the ongoing capital needs of Fund IV with the proceeds of borrowings or other financings in lieu of drawing down available commitments.

Moreover, it is possible that a counterparty, lender or other unaffiliated participant in credit facilities (or otherwise in connection with portfolio investments) requires or desires facing only one Fund entity or group of entities, which could result in (i) any Fund entity and/or a portfolio investment, being solely liable with respect to its own share of the applicable obligation, or (ii) any such Fund entity, and/or a portfolio investment being jointly and severally liable for the full amount of such applicable obligation. If any such Fund entity is required to repay all or any portion of the borrowings or financings of any other parallel investment vehicle, or an alternative investment vehicle or portfolio investment, is required to repay all or any portion of the borrowings and/or financings of such Fund entity, then the applicable entity whose borrowings, guarantees or other extensions of credit were so repaid will, to the fullest extent permitted by applicable law, indemnify and reimburse each other entity that repaid such amounts, including any and all fees, costs and expenses incurred in connection therewith, such that, following such indemnification and reimbursement, each such entity will have borne its *pro rata* share of the applicable borrowing and/or financing (based on the interest of each such entity in the transaction or activity giving rise to such amounts or on such other basis as the respective General Partner determines in good faith to be equitable). As a result, in such circumstance, each Fund entity will be subject to each other's credit risk, as well as the credit risk of any such portfolio investment. In such situations it is not expected that any such Fund entity, any other parallel investment vehicle, or any of their respective alternative investment vehicles, and/or such portfolio investment, would be compensated (or provide compensation to the other) for being primarily liable vis-à-vis such third-party counterparty. In addition, the respective General Partner will be subject to conflicts of interest in allocating such repayment obligations and other related liabilities.

#### *Guarantees of Portfolio Investments*

The Fund could guarantee the obligations of a portfolio investment. As a result, if any such portfolio investment defaults on its obligations, the Fund will be required to satisfy such obligation. In order to do so, the Fund can call capital, recall distributions or, while unlikely, liquidate some or all of the portfolio investments prematurely at potentially significant discounts to fair value. However, without the approval of the limited partner advisory committee, outstanding guarantees (and any borrowings under capital commitment facilities) can not exceed (in the aggregate, at the time of issuance of such guarantee) the aggregate available commitments of all investors.

#### *ESG Considerations*

The Management Company could take into account environmental, social and governance ("ESG") factors in the sourcing, investigating, identifying, researching, evaluating, developing, initiating, negotiating, structuring, making, acquiring, closing, consummating, holding, monitoring, maintaining, financing, refinancing, pledging, restructuring or otherwise disposing of portfolio investments. Although compliance with such factors could result in higher ESG compliance fees, expenses or costs or the forgoing of certain opportunities, the Management Company believes that responsible ESG investing enhances the long-term value of portfolio investments and is an important element of responsible investing. There are no universally accepted ESG standards and not all investors agree on the appropriate ESG standards to apply in a particular situation. The

Management Company will apply ESG standards and considerations in its sole discretion. In either case, an adverse impact on the results of Fund IV's portfolio investments cannot be excluded.

#### *Unspecified Investments*

The portfolio investments that Fund IV intends to make have not been selected by the General Partner or the Management Company. The investors must rely upon the ability of the General Partner and the Management Company to identify, structure and acquire portfolio investments consistent with the Fund's investment objectives. No assurance can be given that Fund IV will be successful in obtaining suitable portfolio investments or that, if the portfolio investments are made, the objectives of Fund IV will be achieved.

#### *Risk of Limited Number of Investments*

Because Fund IV could only make a limited number of investments and such investments generally will involve a high degree of risk, poor performance by even a single portfolio investment could severely affect the total returns to the investors. Investors have no assurance as to the degree of diversification of Fund IV's investments, either by geographic region, asset type or sector. Furthermore, to the extent that the capital raised is less than the targeted amount, Fund IV could invest in fewer portfolio investments and thus be less diversified. To the extent Fund IV concentrates portfolio investments in a particular issuer, security or geographic region, its portfolio investments will become more susceptible to fluctuations in value resulting from adverse economic or business conditions with respect thereto. As a consequence, the aggregate returns of Fund IV could be adversely affected by the unfavorable performance of one or a small number of portfolio investments. There are no assurances that all of Fund IV's portfolio investments will perform well or even return capital. Accordingly, for Fund IV to achieve above-average returns, one or more of its portfolio investments must perform very well. There are no assurances that this will be the case. Additionally, the securities in which Fund IV will invest will be among the most junior in a portfolio investment's capital structure and, therefore, could be subject to the greatest risk of loss. In addition, in circumstances where the General Partner intends to refinance all or a portion of the capital invested, there will be a risk that such refinancing will not be completed, which could lead to increased risk as a result of Fund IV having an unintended long-term investment as to a portion of the amount invested and/or reduced diversification.

#### *Investments in Less Established Companies*

The Fund is not restricted from investing a portion of its assets in the securities of less established companies, or early-stage companies. Investments in such early-stage companies involve greater risks than those generally associated with investments in more established companies. For instance, less established companies tend to have smaller capitalizations and fewer resources and, therefore, are often more vulnerable to financial failure. Such companies also have shorter operating histories on which to judge future performance and in many cases, if operating, will have negative cash flow. In the case of start-up enterprises, such companies typically do not have significant or any operating revenues. In addition, less mature companies are more susceptible to irregular accounting or other fraudulent practices. Furthermore, to the extent there is any public market for the securities held by the Fund, securities of less established companies tend to be subject to more abrupt and erratic market price movements than those of larger, more established companies. Some of the portfolio investments expected to be made by Fund IV should be considered highly speculative and could

result in the loss of Fund IV's entire investment therein. There can be no assurance that any such losses will be offset by gains (if any) realized on Fund IV's other investments.

#### *Investment Expenses / Broken Deal Expenses*

The Fund's investments will require extensive due diligence, legal, and other costs prior to their consummation and will result in Fund IV bearing Broken Deal Expenses if they are not consummated. The Fund will pay any fees, costs, and expenses incurred in sourcing, investigating, identifying, researching, evaluating, developing, initiating, negotiating, structuring, making, acquiring, closing, consummating, holding, monitoring, maintaining, financing, refinancing, pledging, restructuring or otherwise disposing of any investment opportunities it pursues, whether or not such investments are ultimately consummated. Additionally, Fund IV is permitted to enter into agreements that involve payments (including commitment fees, termination fees, break fees, "reverse" termination fees, "reverse" break fees, deposits and working capital payments) by the Fund if it does not consummate the transaction. These expenses can be significant and are likely to be material to the Fund. The Fund could incur, either directly or pursuant to its obligation to reimburse the Management Company for any such expenses advanced by it, significant expenses in connection with proposed investments that are not consummated without the opportunity for gain or recoupment of such expenses.

#### *Failure to Make Capital Contributions*

If any investor fails to fund its subscription obligation or make required capital contributions when due, and the contributions made by non-defaulting investors and borrowings by Fund IV are inadequate to cover the defaulted capital contribution, it is possible Fund IV's ability to complete its investment program or otherwise continue operations could be substantially impaired. A default by a substantial number of investors could leave Fund IV with less than sufficient capital to meet its funding obligations and could subject Fund IV to significant penalties that would limit opportunities for investment diversification and materially adversely affect returns to the investors (including non-defaulting investors). Any investor that defaults in making a required capital contribution will be subject to certain significant and adverse consequences pursuant to the provisions of the Fund Offering Documents, potentially including forfeiture of all or a portion of its Interest.

#### *Side Letters*

The General Partner, on its own behalf or on behalf of Fund IV, and without the approval of any investor, is permitted to enter into side letter agreements. The General Partner will not be required to notify all investors of any such side letters or any of the rights or terms or provisions thereof, and will not be required to offer such additional or different rights or terms to all investors. As a result of such side letters, certain investors will receive additional benefits that other investors will not receive (or terms that are more favorable than the terms given to other investors), including, without limitation, (i) "most favored nations" treatment with respect to terms granted in other side letters; (ii) the right to appoint a voting member or observer to the limited partner advisory committee and certain rights or procedures relating thereto; (iii) terms that relate to the tax, legal or regulatory situation, internal policies or practices, structural attributes, operational or contractual requirements, administrative controls, principal place of business, jurisdiction of formation, sovereign status, or domicile or organizational form of the applicable investor; (iv) waivers of the confidentiality

obligation under the Fund Offering Documents or other rights relating to the confidential information of the Partnership or such investor; (v) the right to be excused from the obligation to make a capital contribution with respect to a portfolio investment as a result of a law, governmental regulation, statute, rule, order or policy-based restriction applicable to the investor; (vi) representations and covenants from the General Partner or Fund IV addressing the payment of placement fees or similar payments made with respect to the admission (or continued investment) of certain investors, including provisions intended to address the requirements of anti-“pay-to-play” or similar regulations; (vii) consents to or rights with respect to the transfer, sale, pledge, assignment, hypothecation or other disposition of the investor’s Interest; (viii) rights with respect to the reporting obligations of Fund IV, the General Partner, the Management Company or any affiliate, director or officer of any of the foregoing; (ix) terms clarifying or limiting the scope of any power of attorney set forth in the relevant Fund Offering Documents or any subscription agreement; and (x) waivers, discounts or other reductions to the management fee, carried interest distributions or other similar economic benefits, including limitations on the applicable investor’s share of any general or specific category of fees, costs or expenses of Fund IV (such as, by way of example only, Travel and Related Expenses, gifts and entertainment and indemnification obligations). Any rights established, or any terms of the Partnership Agreement, Fund IV’s investment management agreement or an investor’s subscription agreement altered or supplemented in such side letters with an investor will govern with respect to such investor notwithstanding any other provision of the Memorandum, the Partnership Agreement, the Fund’s investment management agreement or the investor’s subscription agreement. Such side letters will result in differential treatment among the investors. Any rights established, or any terms of the Partnership Agreement, Fund IV’s investment management agreement or any investor’s subscription agreement altered or supplemented, in such side letters with an investor will govern with respect to such investor notwithstanding any other provision of this Memorandum or the Partnership Agreement. Such side letters will result in differential treatment among the investors. The other investors will have no recourse against Fund IV or any of its affiliates in the event that certain investors receive additional or different rights or terms as a result of such side letters. Furthermore, the General Partner also reserves the right to grant waivers to certain investors (including, but not limited to, Strategic Investors (as defined below)), but not others, of certain of the restrictions imposed under the “most-favored nations” clause included in most if not all Side Letters (such as the limitations on the right to review and/or elect terms granted to other investors based on the size of their commitments).

#### *Benefit From Services to the Fund and Investments*

In connection with their services to the Fund and its investments, the General Partner, the Management Company, the Principals, the other TruArc personnel and other GP Affiliates expect to receive the benefit of certain tangible and intangible benefits. For example, in the course of TruArc’s operations, including research, due diligence, investment monitoring, operational improvements and investment activities, the General Partner, the Management Company, the Principals, the other TruArc personnel and other GP Affiliates expect to receive and benefit from information, “know-how,” experience, analysis and data relating to the Fund’s or a portfolio company’s (as applicable) operations, terms, trends, market demands, customers, vendors and other metrics (collectively, “TruArc Information”). In many cases, TruArc Information will include tools, procedures and resources developed by TruArc to organize or systematize TruArc Information for ongoing or future use. Although TruArc expects that the Fund and its Portfolio Companies generally

will benefit from TruArc's possession of TruArc Information, it is possible that any benefits will be experienced solely by Other Client Vehicles or their portfolio companies and not by the Fund or portfolio company from which such TruArc Information was originally received. TruArc Information will be the sole intellectual property of TruArc and solely for the use of TruArc. TruArc reserves the right to use, share, license, sell or monetize TruArc Information, without offset to the management fee, and the Fund or relevant portfolio company will not receive any financial or other benefit of such use, sharing, licensure, sale or monetization. Additionally, expenses relating to the Fund or its 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 (or the General Partner or the Management Company), rather than the portfolio companies, the Fund or their respective investors; no such rewards will offset the management fee.

## **Item 9      Disciplinary Information**

TruArc and its employees have not been involved in any legal or disciplinary events that would be material to an investor's evaluation of the Management Company or its personnel. In connection with litigation filed against portfolio companies, certain TruArc professionals could be named as co-defendants in their capacities as directors of portfolio companies.

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

### *Ongoing Relationship with Snow Phipps*

TruArc has an ongoing relationship with Snow Phipps as TruArc has been established as a successor business to Snow Phipps. Mr. Ian Snow, CEO and co-founding Partner of Snow Phipps, is a "Senior Advisor" to TruArc and is a member of the Firm's investment committee (the "Investment Committee") alongside TruArc's Principals and other investment team members. In addition, Mr. Snow owns a minority economic interest in each of the General Partner and the Management Company and, in such capacity, (a) is entitled to receive (i) a portion of the net profits of the Management Company over a predetermined period of time and (ii) in exchange for making a capital commitment to the General Partner, carried interest distributions made from Fund IV with respect to a predetermined amount of assets under management and (b) possesses certain minority protection rights in connection with such interest, including certain limitations on the basis of his removal from the Firm's Investment Committee, economic protections such as anti-dilution rights and consent rights in respect of certain material actions by the Firm, such as (by way of example only) the incurrence of extraordinary expenses or debt by the Firm, or entry into certain new business lines. The ongoing relationship between TruArc and Snow Phipps includes, but is not limited to, an arrangement under which investment and back office personnel and expenses are shared between the two firms.

*Arrangement with Reinet; Other Non-Controlling Minority Equity Owners of TruArc.*

Reinet has made a sizeable commitment to Fund IV which, by the final closing, is expected to equal approximately 25% of aggregate commitments of all investors, assuming that Fund IV achieves its target size of \$1 billion in commitments by the final closing (as such, Reinet's commitment will represent a greater percentage of aggregate commitments prior to the final closing). In exchange for such commitment, Reinet has been granted (a) the right to appoint a representative to serve as a voting member of Fund IV's limited partner advisory committee (the "LP Advisory Committee"), (b) a minority interest in the net profits of the Management Company, which portion will increase over time through a pre-determined additional allocation, and through rights to purchase or subscribe for additional interests, though such interests will not exceed 15% in the aggregate, (c) the right to co-invest through TruArc Fund IV Co-Invest, (d) a carried interest credit based on a notional (but not actual) minority percentage interest in the profits of the General Partner, which notional minority percentage interest is expected to increase once Fund IV reaches a certain investment milestone, and (e) reduced Management Fee Percentages.

In connection with its minority interest in the Management Company, Reinet will not have any power to direct the investments or control the Management Company, but possesses certain minority protection rights, including information access and periodic reporting rights, economic protections such as anti-dilution rights and consent rights in respect of certain material actions by TruArc, such as (by way of example only) the issuance of certain senior securities, the incurrence of extraordinary debt by TruArc, certain related party transactions and certain restructurings. Reinet could also choose to be excluded from TruArc's entry into certain new business lines. Reinet will also be afforded customary "tag-along" transfer rights, certain "put" rights and the ability to transfer its minority interest to other institutional investors in event of certain regulatory or other cause-based events.

In addition to Reinet, certain other strategic investors (or their affiliates), including those that previously invested in Snow Phipps and one or more of the Prior Funds (or their respective general partners), will make investments in the General Partner and/or the Management Company, or will be granted interests in the General Partner and/or the Management Company (such as profits interests), in addition to making commitments to the Fund (together with Reinet, the "Strategic Investors"). Such commitments will be sizable. Accordingly, each such Strategic Investor is expected to be entitled to receive a portion of the net profits of the Management Company, and/or carried interest distributions made from Fund IV in exchange for such investments or as a result of such grants. Furthermore, in exchange for such investments or grants, Strategic Investors are expected to receive one or more of the following preferential rights: (i) capacity for investment in the Fund and/or future TruArc funds at significantly reduced rates in respect of management fees and carried interest distributions, or on a management fee-free and/or carried interest distribution-free basis, (ii) observer or voting membership on the TruArc Investment Committee, and, in connection therewith, enhanced information rights with respect to (and/or the ability to consult with the Principals and vote on) TruArc's current and future activities (including with respect to the investment strategies pursued, and the operational activities engaged in, by TruArc, or matters pertaining to the acquisition, maintenance and disposition of the Fund's portfolio investments), (iii) significantly reduced or no obligation to share in expenses of the General Partner or the Management Company or to contribute additional capital for purposes of satisfying defaults of other members or partners of the General Partner and (iv) other minority protection rights as will be



negotiated between TruArc, on the one hand, and any such Strategic Investor, on the other hand, in their respective sole and absolute discretion. In no event will any rights received by a Strategic Investor be subject to any most-favored nation clause or similar provisions granted by the Fund or the General Partner in a Side Letter. Strategic Investors will also be granted waivers of certain of the restrictions imposed on other investors under the “most-favored nations” clause included in most if not all Side Letters (such as limitations on the right to review and/or elect terms granted to other investors based on the size of their commitments). Like Snow and Snow Phipps, neither Reinet, nor any other Strategic Investor, nor any of their respective affiliates, will be considered an affiliate of the General Partner or the Management Company.

While each Strategic Investor is expected to own a minority interest in the General Partner and/or the Management Company, when taken together, the economic percentage of the General Partner and/or the Management Company owned by Strategic Investors (including, for these purposes, Snow (or one of his affiliates) and Reinet) could be material. Although it is not currently expected that the Strategic Investors (whether individually or together) will be able to exert control over TruArc’s investment decisions, such economic ownership, together with the preferential rights described in the preceding paragraphs (and, in the case of Snow, under “—*Ongoing Relationship with Snow Phipps*” above), could have the appearance of allowing Strategic Investors to influence such decisions, including those to be made by the TruArc Investment Committee. Nonetheless, no investment by a Strategic Investor in the General Partner, the Management Company, Fund IV or any other affiliate of the General Partner of the Management Company will require the vote, consent or approval of any limited partner or the LP Advisory Committee.

A Strategic Investor’s investment in the General Partner and/or the Management Company could be effected through, among other things, the purchase of all or a portion of the interest in the General Partner and/or the Management Company held by any TruArc personnel (including, for these purposes, Snow) or through a grant or allocation without additional consideration. Any and all fees, costs and expenses (including, for the avoidance of doubt, any and all Service Provider Compensation) incurred in connection with the negotiation and implementation of a Strategic Investor’s investment as described above (including, but not limited to, Service Provider Compensation incurred in connection with a formal agreement reached in May 2020 by and among the Principals and Snow and matters related thereto, and the arrangements with Reinet described herein) will constitute Organizational Expenses and, as such, will be borne by the Fund as such for purposes of the Fund IV Partnership Agreement.

Conflicts of interest will arise from time to time as a result of the participation by Strategic Investors (including, for these purposes, Snow (or one of his affiliates) and Reinet) in the General Partner and/or the Management Company. For example, a Strategic Investor’s participation in the General Partner and the Management Company will reduce the share of management fees and carried interest distributions that certain TruArc personnel would otherwise receive and, as such, will alter TruArc’s return and risk exposure with respect to Fund IV as compared to the return and risk exposure that it would have had in the absence of such Strategic Investor’s interest in such entities. As a result, there could be incentives for the General Partner and/or the Management Company to take actions in respect of Fund IV’s assets that it would not otherwise have taken in the absence of such arrangements, which could negatively impact Fund IV or its investors. Without limiting the foregoing, given its minority interest in the Management Company and other entitlements described

above, and its otherwise enhanced relationship with TruArc, Reinet will generally have access to information about the Fund, its portfolio investments and TruArc generally that is not (and will not be) available to other investors, and will likely have access to information earlier than as it is provided to other investors. Reinet's enhanced relationship, and specifically its interest in the Management Company, could give rise to conflicts of interests for both TruArc and in respect of how Reinet exercises its rights under the Fund IV Partnership Agreement, including the manner in which it exercises any vote, consent or approval right held by it in its capacity as a Fund IV limited partner or whether its representative on the Fund IV LP Advisory Committee chooses to approve or consent to a matter presented thereto (although, for purposes of Fund IV, the portion of Reinet's commitment in excess of 19.9% of the total voting power of the limited partner interests will be deemed a non-voting interest and will be disregarded from any vote, consent or approval of the Fund IV investors). The size of Reinet's commitment and participation in Fund IV as a limited partner is substantially greater than its participation in the Management Company, which should substantially mitigate any such conflicts of interest for Reinet. In any event, like Snow and Snow Phipps, neither Reinet nor any of its affiliates, nor any other Strategic Investor, nor any of their respective affiliates, will be considered an affiliate of the General Partner or the Management Company nor will any of them be subject to any of the terms and conditions under the Fund IV Partnership Agreement applicable to affiliates of the General Partner or the Management Company, including, without limitation, those applicable to related party transactions, raising additional investment vehicles or the management fee offset. The foregoing list is not intended to be exhaustive and, as such, the possibility of other complex conflicts of interest cannot be foreclosed.

For the avoidance of doubt, all Strategic Investors and Snow (and certain of his respective affiliates) will constitute "Constituent Members" of the General Partner and/or the Management Company for purposes of (and as such term is defined in) the Fund IV Partnership Agreement (in each case, regardless of whether the interests are held by the same entity as the entity that holds interests in the General Partner and/or the Management Company, provided such entities are affiliated or otherwise related to the Strategic Investor).

#### *Other Investment Activities and Relationships*

The General Partner, the Management Company, the Principals, the other TruArc personnel and other affiliates are expected to be investors in, and will devote time in the future to the management of, investments made prior to the formation of Fund IV, including all pre-existing client vehicles (including, for this purpose, Fund I, Fund II, and Fund III) and their investments, and certain other investments not made by Fund IV. Except to the extent any such Other Client Vehicle constitutes a co-investment vehicle alongside Fund IV or as otherwise provided for in the Partnership Agreement, Fund IV will have no interest in such investments.

In addition to the foregoing, the activities of Fund IV are not and will not be the sole focus of any of the Principals or of any other TruArc personnel and all or substantially all of such persons have (and are expected to continue to have) required time commitments to Other Client Vehicles, including, for this purpose, Fund I, Fund II, and Fund III and future investment vehicles. Moreover, each of the Principals and certain other TruArc personnel serve as members of the boards of directors (or similar governing bodies) of various companies and participate in other activities outside of Fund IV, the General Partner and the Management Company. Conflicts will arise as a

result of such activities and in the allocation of management resources. The possibility exists that the companies with which any such person or entity is involved could engage in transactions which would be suitable for Fund IV, but in which Fund IV might be unable to invest.

#### *Exemptions from Certain Regulatory Registrations*

Fund IV is not registered under the IC Act. The IC Act provides certain protection to investors and imposes certain restrictions on registered investment companies (including, for example, limitations on the ability of registered investment companies to incur leverage), none of which will be applicable to Fund IV.

Neither TruArc nor the General Partner are registered as broker-dealers under the U.S. Securities and Exchange Act of 1934, as amended (the “Exchange Act”), or with the Financial Industry Regulatory Authority, Inc. (“FINRA”) and, consequently, are not subject to the record-keeping and specific business practice provisions of the Exchange Act or the rules of FINRA.

The Commodity Exchange Act also provides certain protection to investors by imposing certain disclosure, reporting and recordkeeping obligations on Commodity Pool Operators (“CPOs”) and Commodity Trading Advisors (“CTAs”). However, pursuant to an exemption from the Commodity Futures Trading Commission (the “CFTC”) regulations, the General Partner does not expect to be required to register, and will not be registered, with the CFTC as a CPO. Specifically, the General Partner is relying on the limited trading exemption provided by CFTC regulation 4.13(a)(3). TruArc is relying on the exemption from registration as a CTA pursuant to Section 4m(3) of the Commodity Exchange Act.

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

#### *Code of Ethics*

TruArc has adopted a written Code of Ethics (“Code”) which is included as a part of its “Compliance Manual” and which (along with any amendments) is provided to each employee. Our Code requires all of our employees to (i) act with competence, dignity, integrity and in an ethical manner in all dealings on our behalf, (ii) use reasonable care and exercise independent professional judgment in the execution of their duties and (iii) avoid actions or relationships that might conflict, or appear to conflict, with job responsibilities or the interests of TruArc and its Clients. Our Code also contains policies and procedures that address personal securities trading by employees and are intended to mitigate potential conflicts of interest. We prohibit personal trading on certain securities or instruments; require pre-clearance before purchasing securities in an IPO or limited offering (i.e., private placement); and require periodic reporting of employees’ personal securities transactions and all holdings. We require prompt internal reporting of Code violations.

TruArc will provide a copy of the Code to any investor or prospective investor upon request.

#### *Material Non-Public Information*

As a result of TruArc's activities, the General Partner, the Management Company, the Principals, the other TruArc personnel or other related parties could acquire confidential or material non-public information and therefore be restricted from initiating transactions in certain securities. The General Partner and the Management Company do not intend to operate the investment activities of the Fund with ethical screens or information barriers that other investment management firms implement to separate persons who make investment decisions from others who might possess material non-public information that could influence such decisions. In the event that any of the Principals or other TruArc personnel obtain such material non-public information, TruArc could be restricted in acquiring or disposing investments on behalf of the Fund and Other Client Vehicles, which could impact the returns generated therefor. Notwithstanding anything in the Partnership Agreement to the contrary, the General Partner is permitted to keep confidential from any investor any material non-public technical information, the disclosure to the investor of which would be reasonably likely to subject the Fund or any portfolio company (including any potential portfolio company) to the jurisdiction or review of the Committee on Foreign Investment in the United States.

#### *Transactions Between and Amongst Other Client Vehicles and Portfolio Companies*

From time to time, one or more Other Client Vehicles will acquire, sell, or otherwise transact with investments or portfolio companies held by different Other Client Vehicles. Such transactions create conflicts of interest because, by not exposing such acquisition, sale or other transactions to market forces, there is no assurance that either Other Client Vehicle will receive the best price otherwise possible, or that the applicable General Partner, Management Company, or any of their respective affiliates will not have an incentive to improve the performance of one Other Client Vehicle by selling underperforming assets to a different Other Client Vehicle in order to, for example, avoid losses in the selling Other Client Vehicle or to increase the fees payable by the acquiring Other Client Vehicle. Additionally, in connection with such transactions, the General Partner, the Management Company, other related parties and each of their respective officers, directors, managers, partners, members, shareholders, employees, agents, advisors and personnel will, from time to time, have significant investments, or intentions to invest, in the Other Client Vehicle that is selling and/or acquiring such investments or otherwise have a direct or indirect interest in any such investment (such as through certain other participations in the investment). The General Partner, the Management Company or one or more other related parties could receive management fees or other fees in connection with their management of the relevant Other Client Vehicles involved in such transaction, and could also be entitled to share in the investment profits of (i.e., carried interest from) the relevant Other Client Vehicles.

Accordingly, as they relate to the Fund, such transactions can result in conflicts of interest for the General Partner, the Management Company and other related parties by giving rise to conflicting economic or other incentives or interests on different sides of a transaction. However, such transactions generally will be permitted where the General Partner determines in good faith that their terms are arm's-length and in the best interest of all the Other Client Vehicles involved. Such determination could be reached in a number of ways, including, but not limited to, (i) pricing such transactions based on the Management Company's valuation policies and procedures, (ii) review and consultation with (but not necessarily in all cases, approval by) their respective limited partner advisory committees, (iii) the presence of or participation by unaffiliated third parties to help validate the terms thereof, (iv) employing separate investment teams, separated by "fire walls", each

with separate legal counsel or financial advisors to represent the applicable Other Client Vehicle and to advise their respective general partners, (v) obtaining a fairness or similar opinion from a third-party valuation firm or investment banker with respect to the terms and conditions of such transaction, including the price or (vi) running an auction process.

For example, in connection with (or subsequent to) a transaction involving the sale of an investment by one or more Other Client Vehicles to one or more third parties, one or more different Other Client Vehicles could acquire a portion of the investment being sold through a cross trade. Such portion could also represent a material portion of the investment being sold. Any acquisition by the Fund in such transaction would be based on terms, including price, that the General Partner determines in good faith to be no less favorable than the arm's-length terms negotiated between the Other Client Vehicle selling the interest and the acquiring third party or third parties (assuming that the cross trade does not otherwise occur on such terms). Similarly, any sale by the Fund in such transaction would be based on terms, including price, that the General Partner determines in good faith to be no less favorable than the arm's-length terms negotiated between the Fund and the acquiring third party or third parties (again, assuming that the cross trade does not otherwise occur on such terms).

In addition, all of the Other Client Vehicles participating in such transaction, including, for the avoidance of doubt, the Other Client Vehicle selling the investment, could be required to disclose the terms of such transaction to (or in the case of certain Other Client Vehicles other than the Fund, obtain the consent from) their respective limited partner advisory committees. For the avoidance of doubt, in light of the foregoing disclosure, no such sale or acquisition by the Fund, however, will require the vote, consent or approval of the limited partner advisory committee or any investor. In addition, the Fund will be permitted to sell investments to any Other Client Vehicle or acquire investments from any Other Client Vehicle in transactions that do not involve a third-party buyer so long as the General Partner determines in good faith that the terms are arm's-length and in the best interest of all the Other Client Vehicles (including the Fund) involved.

Without limiting the generality of the foregoing, if the Fund invests in the portfolio company of any Other Client Vehicle in a transaction that results in a disposition of all or any portion of such Other Client Vehicle's interests in such portfolio company (by way of example only, through redemption), or conversely, if all or any portion of the Fund's interests in a portfolio company is disposed of as a result of an investment by any Other Client Vehicle in such portfolio company, then similar conflicts of interests as those described above in the context of a sale or acquisition between or amongst Other Client Vehicles (including the Fund) will also apply and will be resolved in an analogous matter (although the conflicts of interests present in the context of any such transaction that is effected on terms and conditions that were generally pre-determined in advance of the subsequent investments will be deemed to have been sufficiently mitigated).

Finally, and similar to the foregoing, it is possible that one or more portfolio companies could sell or acquire assets, securities or other property to or from Other Client Vehicles or their portfolio companies (or that the Fund could sell or acquire assets, securities or other property to or from the portfolio companies of Other Client Vehicles). The General Partner expects that any such sales or acquisitions will occur in the ordinary course operations (or otherwise in connection with the good faith and reasonable operations) of such portfolio companies and the portfolio companies of such

Other Client Vehicles (including, as the case may be, in connection with the strategic or organic growth initiatives of such portfolio companies and the portfolio companies of such Other Client Vehicles). For purposes of the Partnership Agreement, no Other Client Vehicle (nor its portfolio companies) and no portfolio company is an affiliate of the Fund, the Management Company or any other related parties.

#### *Allocation of Expenses; Expense Reimbursements*

The General Partner, the Management Company, the Principals, the other TruArc personnel and one or more other related parties will from time to time incur fees, costs and expenses on behalf of the Fund or Other Client Vehicles and one or more existing or subsequent entities established by the General Partner, the Management Company, the Principals, the other TruArc personnel and one or more other related parties. Although attempts will be made to allocate such fees, costs and expenses on an equitable basis, such allocations will be determined by the General Partner and/or the Management Company and such matters will not necessarily be brought to the limited partner advisory committee or the investors for discussion or consultation.

To address the allocation of fees, costs and expenses, the Management Company has adopted certain processes and procedures intended to allocate expenses in the manner prescribed by the Fund Offering Documents and the Management Company's internal policies, including procedures to identify and correct misallocations due to error or revised allocation methodologies. However, there is no guaranty that such processes and procedures will identify all or even any misallocations. To the extent misallocations are identified and the Fund has already paid or borne such fees, costs or expenses, any reimbursements of incorrectly applied fees, costs or expenses will necessarily be applied at a later date and therefore the Fund could bear incorrect allocations for an unspecified period of time. Reimbursement to the Fund of any misallocated expenses will generally not include any interest on the principal amount of any misallocations. Although attempts will be made to allocate fees, costs and expenses on an equitable basis, such allocations will ultimately be based on the determinations of the General Partner and/or the Management Company. In some instances, such determinations will be subjective and reasonable minds will disagree.

Without limiting the foregoing, there could be circumstances when the General Partner, the Management Company, the Principals, the other TruArc personnel and/or one or more other related parties consider a potential portfolio investment on behalf of the Fund and initially determine not to make such an investment, but eventually makes an investment in such potential portfolio investment through any Other Client Vehicle. In these circumstances, such Other Client Vehicle could benefit from the due diligence conducted by the original investment team considering the investment and/or from fees, costs or expenses incurred or borne by the Fund in pursuing the potential portfolio investment. Such Other Client Vehicle, however, will not be required to reimburse the Fund for any such fees, costs or expenses. Conversely, if the investment team of any Other Client Vehicle conducts due diligence with respect to a potential portfolio investment of such Other Client Vehicle (and such Other Client Vehicle incurs or bears fees, costs or expenses in connection with its pursuit of such investment), but its general partner or its affiliates determine not to pursue that investment and the General Partner determines to pursue such investment through the Fund instead, then the General Partner will be authorized to cause the Fund to reimburse such Other Client Vehicle in respect of all or a portion of such fees, costs or expenses.

Portfolio companies will typically reimburse the General Partner, the Management Company, the Principals, the other TruArc personnel and one or more other related parties, or Service Providers retained by one or more of the foregoing, for fees, costs and expenses (including, without limitation, fees, costs and expense of the type described in the definition of Travel and Related Expenses) incurred by any of them in connection with the performance of their services or duties in respect of such portfolio company. The portfolio company will determine the amount of these reimbursements for such services in its own discretion, subject to any of its own internal reimbursement policies and practices. There can be no assurance, however, that the internal reimbursement policies and practices of such portfolio company will be substantially similar to those employed by the Management Company or as set forth in the Partnership Agreement. Accordingly, such portfolio company will reimburse the General Partner, the Management Company, the Principals, the other TruArc personnel or one or more other related parties, or service providers retained by one or more of the foregoing, for fees, costs and expenses that are not be reimbursable under the Partnership Agreement or under the Management Company's own reimbursement policies. In addition, the fees, costs and expenses incurred in connection with any portfolio investment by parties other than the Fund (including, but not limited to, co-investors) are also often borne or reimbursed by the applicable portfolio company, typically (but not necessarily) at the closing of the acquisition of such portfolio company or at the closing of such co-investment. Such fees, costs and expenses will include the legal, due diligence and other related fees, costs and expenses of co-investors that were incurred by them in connection with their investigation of the applicable co-investment opportunity, as well as their negotiation of their relevant co-investment arrangements, such as the terms and conditions applicable to any co-investment vehicle through which they participate (or any aggregator or similar vehicles formed to facilitate their co-investment) alongside the Fund. In any event, there is no limit or restriction on the amount of reimbursements that could be sought by such persons or entities, or by any of them on behalf of a co-investor or by a co-investor itself, from any portfolio company and such amounts will generally not be reported to the limited partner advisory committee or the investors. The amount of such reimbursements could be substantial.

#### *Service Providers and Fee Arrangements*

Service providers or affiliates of service providers will include: accountants; auditors; administrators (including fund administrators or similar service providers who provide "back-office", anti-money laundering and "know-your-customer" related services, including anti-money laundering reporting officers); legal counsel and any other attorneys, lawyers and legal professionals (including paralegals, legal assistants and legal interns); financial advisors, brokers, dealers, investment bankers, underwriters, valuation experts, appraisers and other similar professionals; credit providers; tax professionals; consultants (including Operating Team Members, information technology consultants, strategic consultants, management consultants, environmental consultants, "ESG" consultants, public relations consultants and other subject-matter consultants); due diligence experts; research, data, analytic, business intelligence (including "expert network"), modeling, structuring, pricing and execution service providers; software and related service providers; portfolio accounting and related service providers; placement agents, recruitment agents and finders; local intermediaries; depositories; trustees; agents; custodians and safe-keeping service providers; and any other service providers. Service providers can have business, personal, financial or other relationships with the General Partner, the Management Company or other related parties

and may be investors in the Fund, related parties, sources of investment opportunities, co-investors or commercial counterparties.

Certain service providers (such as legal counsel and accountants) will provide certain services to the General Partner, the Management Company, one or more of the Principals, other TruArc personnel, other related parties, the Fund and Other Client Vehicles (or their portfolio companies) with respect to non-Fund matters, which creates potential conflicts of interest for such service providers insofar as they also perform work for the Fund or one or more of its portfolio companies. For example, the Management Company expects that its law firm relationship(s) will perform services on behalf of the Fund or one or more of its portfolio companies, on the one hand, and the General Partner, the Management Company, one or more of the Principals or other TruArc personnel, other related parties or Other Client Vehicles (or their portfolio companies), on the other hand, at the same time but not necessarily on the same terms (including the pricing of services). Further, to the extent such service provider relies or depends on the referrals or direction of the General Partner, the Management Company, one or more of the Principals, other TruArc personnel, other related parties or Other Client Vehicles (or their portfolio companies) for work performed for the Fund or its portfolio companies, such service provider might be inclined to provide better or more resources to (or to offer discounts or better pricing for) the work of the General Partner, the Management Company, one or more of the Principals, such TruArc personnel such Other Client Vehicles (or their portfolio companies) in comparison to work performed for the Fund or any of such portfolio company. The Management Company will also permit one or more of its service providers, or affiliates or personnel of its service providers, to invest in the Fund, which could create further incentive for those service providers to provide better or more resources (or to offer discounts or better pricing for) to the work of the General Partner, the Management Company, one or more the Principals, other TruArc personnel or Other Client Vehicles (or their portfolio companies) in comparison to work performed for the Fund or any of its portfolio companies (if, for example, capacity for investment in the Fund is constrained). For example, outside legal counsel to the General Partner and the Management Company, intends to make such an investment in the Fund.

The General Partner and the Management Company will address these conflicts of interest by using reasonable diligence to ascertain whether each service provider (including legal counsel and accountants) provides its service on a “best execution” basis, taking into account factors such as expertise, operational and regulatory controls, availability and quality of service and the competitiveness of compensation rates in comparison with other service providers satisfying the Management Company’s service provider selection criteria. The Management Company could recommend to the Fund or a portfolio company that it contract for services with such service providers. The receipt of services on preferential terms (including with respect to the pricing of services) with respect to non-Fund matters could influence (or have the appearance of influencing) the Management Company’s decisions whether to select such service provider for the Fund or whether to recommend such service provider to a portfolio company. Furthermore, to the extent such service provider relies or depends on the Management Company for such recommendations or selection, such service provider could be conflicted in the course of work that otherwise requires independence or impartiality. In certain circumstances, service providers (including law firms) charge rates or establish other terms in respect of advice and services provided to the General Partner, the Management Company, one or more of the Principals, other TruArc Personnel, other related parties, and Other Client Vehicles (and their portfolio companies) that are different and more



favorable (including in terms of pricing) than those established in respect of advice and services provided to the Fund or its portfolio companies.

Without limiting the generality of the foregoing, the Management Company and other related parties will from time to time enter into arrangements with service providers that provide fee discounts for certain services rendered to the Management Company, such other related parties or to any co-investor, co-investment vehicle or Other Client Vehicle (or any of their respective portfolio companies), but not with respect to services rendered to the Fund or any of its portfolio companies. The Management Company and the General Partner will have the sole and absolute discretion over whether to negotiate or enter into such arrangements with any service provider and will not necessarily take into consideration whether any such fee discounts will benefit or be available to the Fund or any of its portfolio companies (even though the Management Company and such other related parties will be permitted to take into consideration whether such fee discounts could benefit themselves, or other affiliated or non-affiliated persons, including but not limited to co-investors, co-investment vehicles, Other Client Vehicles or any of their respective portfolio companies).

In summary, prospective investors should assume that the General Partner, the Management Company, one or more of the Principals, other TruArc Personnel, other related parties, co-investors, co-investment vehicles or Other Client Vehicles (and their respective portfolio companies) will be permitted to receive discounts or be the beneficiary of “caps” with respect to services that are similar or related to those also provided to the Fund or its portfolio companies, without such discounts or “caps” benefitting or being available to the Fund or such portfolio companies (it being understood that a portfolio company will generally not enjoy such discounts or “caps” in any event because it will engage service providers on its own behalf and on independent terms). Such discounted or “capped” fee arrangements should be expected and the possibility of complex conflicts of interest cannot be foreclosed.

#### *Service Providers*

The Fund’s service providers (including, without limitation, deal generators, introducers, lenders, brokers, attorneys and outside directors) may be investors in the Fund or a successor fund and/or sources of investment opportunities therefor and counterparties therewith. This may influence the General Partner in deciding whether to select such a service provider or have other relationships with such party. Notwithstanding the foregoing, a General Partner will only select a service provider to the extent it determines that doing so is in the best interests of the applicable Fund given all surrounding facts and circumstances and is consistent with such General Partner’s responsibilities under applicable law.

In addition, the Firm and one or more portfolio companies will engage common service providers. In such circumstances, there may be a conflict of interest between the Firm, on the one hand, and the Fund and the applicable portfolio companies, on the other hand, in determining whether to engage such service providers, including the possibility that the Firm may favor the engagement or continued engagement of such persons if it receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by the Fund and/or the portfolio companies. The Firm may from time to time receive a discount on services provided to it by such a common service provider even though the Fund and/or one or more portfolio

companies may receive a lesser, or no, discount. In addition, different portfolio companies may receive different levels of discounts.

#### *Conflicts with Portfolio Companies*

The Principals or the other TruArc personnel will serve as directors and officers of certain portfolio investments and, in that capacity, will be required to make decisions that consider the best interests of such portfolio investments and their respective shareholders. In certain circumstances, for example in situations involving bankruptcy or near-insolvency of a portfolio investment, actions that are in the best interests of the portfolio investment will not be in the best interests of the Fund, and vice versa. Accordingly, in these situations, there will be conflicts of interest between such individual's duties as a partner, officer or employee of the Management Company and such individual's duties as a director or officer of such portfolio company.

#### *Conflicts due to Investment Activities of Other Client Vehicles; Capital Structure Conflicts; Conflicts with Pre-Existing Investments*

The General Partner, the Management Company, the Principals, the other TruArc personnel and one or more other related parties will have ongoing interests, including economic interests, in Other Client Vehicles also invested in one or more of the Fund's portfolio companies or in competitors of such portfolio companies. The performance and operation of such vehicles and competing businesses could conflict with and adversely affect the performance and operation of the Fund or its portfolio companies and could adversely affect the prices and availability of opportunities or transactions available to the Fund or such portfolio companies. Accordingly, such entities and persons will experience a variety of conflicts of interest to the extent that the interests of such vehicles or competing businesses would be adversely affected by investment decisions that would otherwise be in the best interest of the Fund or any of its portfolio companies. Similarly, if such entities or persons are faced with investment decisions for such vehicles or competing businesses that would be in the best interest of such vehicles or competing businesses but would otherwise adversely impact the Fund or any of its portfolio companies, they will nevertheless be incentivized to make such decisions for the benefit of such vehicles or competing businesses to the detriment of the Fund or any such portfolio company if they are economically or otherwise incentivized to do so (e.g., due to the prospect of earning more carried interest, management fees or other fees).

Such conflicts will be exacerbated when the Fund and or Other Client Vehicle invest in different parts of the capital structure of a particular portfolio company. In those circumstances, questions will arise as to whether payment obligations and covenants of the portfolio company should be enforced, modified or waived, or whether debt should be refinanced or restructured. Decisions about what actions should be taken in circumstances of financial distress, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring raise conflicts of interest (see more on financial distress below). Given that the Fund is expected to have a controlling or significantly influential position in most, if not all, of its portfolio companies, it will have the ability to elect some or all of the members of the board of directors (or comparable governing body) of such portfolio companies, thereby controlling their policies and operations, including the appointment of management, future issuances of securities, the payment of dividends, the incurrence of debt or entering into extraordinary transactions. In addition, the Fund is likely to have the ability to determine or influence the outcome of operational matters and to cause, or prevent, a change in

control of such portfolio companies. Such management and operational decisions could, at times, be in direct conflict with the interests of Other Client Vehicles that have invested in the same portfolio company that do not have the same level of control or influence.

In addition, the involvement of Other Client Vehicles (including the Fund) at multiple levels of equity and debt could inhibit strategic information exchanges among fellow creditors. In certain circumstances, such Other Client Vehicles could be prohibited from exercising voting or other rights, and could be subject to claims by other creditors with respect to the subordination of their interest. Because of the different legal rights associated with debt and equity of the same portfolio company, the General Partner, the Management Company, certain TruArc personnel and other related parties will face a conflict of interest in respect of the advice they give to, and the actions they take on behalf of, one Other Client Vehicle (including the Fund) versus an Other Client Vehicle (including the Fund) (e.g., the terms of debt instruments, the enforcement of covenants, the terms of recapitalizations, and the resolution of workouts or bankruptcies). Such persons or entities could express inconsistent views on commonly held investments or of market conditions more generally.

Furthermore, investments by more than one Other Client Vehicle (including, for this purpose, the Fund) in the same portfolio company also raise the risk of the assets of one vehicle, such as the Fund, being used to support positions taken by Other Client Vehicles, or that any Other Client Vehicle remains passive in a situation in which it is entitled to vote. For example, if additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, in a portfolio company, the Other Client Vehicles invested in the applicable portfolio company may or may not provide such additional capital in circumstances where the Fund is compelled, if not obligated, to make a follow-on investment. Such follow-on investment could give rise to, among other things, conflicts of interest in connection with valuing the securities or interests being issued or acquired in connection with such investment (to the extent that certain valuations are more likely than not to benefit the Other Client Vehicle over the Fund or vice versa). There can also be differences in the timing of entry into, or exit from, a portfolio company for reasons such as differences in strategy, existing portfolio composition or liquidity needs. These variations in timing could be detrimental to the Fund. In any event, the application of the Partnership Agreement and the Management Company's policies and procedures are expected to vary based on the particular facts and circumstances surrounding each investment by the Fund and any Other Client Vehicle in different parts of a portfolio company's capital structure (as well as across multiple issuers or borrowers within the same overall capital structure) and, as such, there is likely to be a degree of variation and potential inconsistencies in the manner in which potential or actual conflicts are addressed.

In the event a portfolio company experiences financial distress, it may be in the best interest of an Other Client Vehicle to aggressively pursue the portfolio company's assets to fully satisfy the portfolio company's obligations or indebtedness to such Other Client Vehicle. More specifically, any Other Client Vehicle holding more senior securities than those held by the Fund, or in circumstances where such Other Client Vehicle otherwise serves as a creditor to such portfolio company, is likely to have a greater incentive than the Fund to see those obligations or indebtedness satisfied. In addition, because of the potential harm to such Other Client Vehicle's senior holdings or creditor position, the General Partner, the Management Company, the Principals, the other TruArc personnel or one or more other related parties will be disinclined to make riskier or more

speculative investment decisions on behalf of the Fund, even if such decisions would extract more value from the securities held by the Fund. Such disinclination would extend from the fact that such decisions, while potentially in the best interests of the Fund, could impair or be detrimental to the more senior holdings of or the indebtedness owed to such Other Client Vehicle.

Similarly, in the event that any Other Client Vehicle holds more junior securities of the same portfolio company relative to the Fund, it will be the Fund that might not have access to sufficient assets of the portfolio company to completely satisfy its bankruptcy claims against the portfolio company and could suffer a loss. Because of the potential harm to such Other Client Vehicle's holdings, however, the General Partner, the Management Company, the Principals, the other TruArc Personnel or one or more of the other related parties will be disinclined to pursue the portfolio company's assets to fully satisfy the portfolio company's obligations or indebtedness to the Fund (or to pursue those assets as aggressively as might otherwise be the case) out of a concern over how such actions could be detrimental to the junior securities held by such Other Client Vehicle. In addition, such Other Client Vehicles will be inclined to make riskier or more speculative investment decisions to extract more value from their securities, which decisions could be harmful to the Fund. Moreover, in a bankruptcy proceeding, the Fund's interest could be subordinated or otherwise adversely affected by virtue of such Other Client Vehicle's involvement and actions relating to the Fund's debt investment.

In addition to the foregoing, any investment by the Fund in an entity in which any Other Client Vehicle has a pre-existing investment (or vice versa) could be viewed, particularly in hindsight, to have been made on the basis of a non-arm's-length valuation. Similarly, any Other Client Vehicle could later invest in portfolio companies of the Fund, which could have an effect (either positive or negative) on the market price of the Fund's investment therein. In addition, the Fund could participate in re-leveraging or recapitalization transactions involving portfolio companies in which Other Client Vehicles hold a pre-existing investment (or vice versa) or in which they are contemplating an investment. Recapitalization transactions themselves present conflicts of interest, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or too low a price for the securities of the applicable company or purchasing securities with terms that are more or less favorable than the prevailing market terms. In circumstances in which the Fund makes an investment in an entity in which any Other Client Vehicle holds a pre-existing investment, it should be expected that such Other Client Vehicle will make business decisions relating to such investment (such as, for example, financing or hedging interest rate, currency or credit risk) independently of the analogous decisions made with respect to such investment by the Fund. This could result in situations where the Fund chooses not to hedge certain risks that the Other Client Vehicle elects to hedge (or vice versa), or the possibility that the Fund is exposed to risks of financing on an investment when the Other Client Vehicle is not (or vice versa).

Accordingly, prospective investors should expect that conflicts of interests will arise when one or more Other Client Vehicles invest in a portfolio company in which the Fund holds an existing interest or when the Fund invests in a portfolio company in which one or more Other Client Vehicles hold an existing interest.

To the extent a material conflict of interest arises that is not expressly contemplated by the Fund Offering Documents, the General Partner and the Management Company will take actions to resolve such conflict of interest in a manner that they deem to be fair and equitable under the circumstances. Nevertheless, there can be no assurance that any such conflicts of interest will be resolved in a manner that is fair and equitable to the Fund or any of its portfolio companies.

Prospective investors should also be aware that it is possible an investor with a member on the limited partner advisory committee could also have a member on the limited partner advisory committee for one or more of the Other Client Vehicles involved in the applicable transaction or relationship giving rise to an actual or potential conflict of interest. Accordingly, such investor's interests are likely to be different from the interests of another investor with a member on the limited partner advisory committee only and such interests could influence the decisions of such investor's members on the respective limited partner advisory committees. Under the Partnership Agreement, no member of the limited partner advisory committee and, solely in respect of the actions of such member of the limited partner advisory committee, the investor that such member of the limited partner advisory committee represents will, to the fullest extent permitted by applicable law, owe any fiduciary duty to the Fund or any investor in connection with the activities of the limited partner advisory committee other than the implied contractual covenant of good faith and fair dealing, and no member of the limited partner advisory committee, nor any investor appointing any such member, will be obligated to act in the interests of the Fund, any other investor or the investors as a group.

#### *Joint Venture Partners*

The General Partner or the Management Company could cause Fund IV to enter into "joint ventures" (including vehicles organized therefor), "platforms" or similar arrangements whereby the Fund's investment activities are operated in cooperation or conjunction with one or more partners (including Operating Team Members) or management team members, in each case, with respect to the management of specified portfolio investments or categories of portfolio investments. In connection therewith, such partners or management team members could receive compensation, including management fees or carried interest or other incentive or performance-based compensation, in vehicles through which such joint ventures, "platforms" or similar arrangements invest. The Fund could also hold certain portfolio investments through investment vehicles managed in whole or in part by such partners or management team members where the General Partner or the Management Company has determined this is necessary or appropriate for a variety of reasons (including legal, tax, regulatory, accounting, commercial or other reasons).

To the extent such joint ventures represent bona fide investment arrangements with respect to the management of specified portfolio investments or categories of portfolio investments, such ventures will not constitute "blind pool" investment funds for purposes of the Partnership Agreement. As such, any compensation to such partners or management team members, which will reduce the Fund's returns from the relevant portfolio investments, will not offset carried interest distributions, distributions with respect to "incentive capital contributions" or management fees paid to the General Partner or the Management Company and will increase the cost of the investors' investment in the Fund. In addition, to the extent a dispute arises between the General Partner or the

Management Company and any such partners or management team members, the Fund's portfolio investments relating thereto will likely be affected adversely.

#### *Enhanced Relationships with Certain Investors*

In some cases, investors will directly or indirectly (through an affiliate) provide financing, insurance, advisory or other services to the General Partner, the Management Company, other related parties, the Fund, Other Client Vehicles or one or more of their respective portfolio companies. To the extent the General Partner, the Management Company, any such other related parties, the Fund, any such Other Client Vehicle or any such portfolio company is seeking a provider of such services, they will be incentivized to procure such services from an investor (or one of its affiliates) on a basis other than best execution, best price or other similar basis.

Such investors will also be aligned with the General Partner, the Management Company, such other related parties, the Fund, such Other Client Vehicle or one or more of their respective portfolio companies in a manner that could give rise to conflicts of interest to the extent such investors are represented on the limited partner advisory committee. Prospective investors should expect that certain investors will have such enhanced relationships with the General Partner, the Management Company, other related parties, the Fund or Other Client Vehicles or one or more of their respective portfolio companies and that such relationships will give rise to both known and unknown conflicts of interest. It may not be possible to mitigate such conflicts of interest and the Fund or one or more of its portfolio companies could be harmed as a result.

## **Item 12 Brokerage Practices**

#### *Brokerage Practices*

We do not make regular use of brokers for the purposes of purchasing or selling publicly traded securities on behalf of the Fund because the securities that we typically purchase or sell on behalf of the Fund are acquired and/or disposed of in privately negotiated purchase and sale transactions.

From time to time, we may use a broker to effect transactions in public securities resulting from, or in connection with portfolio investments. In those instances, we have full discretionary authority with respect to the selection of, and the commissions paid to, brokers. If we determine to engage a broker, we will select the broker considering the range and quality of its brokerage services, its execution capability, commission rate, financial responsibility and responsiveness to us, and the value to us of research provided, if any. In order to minimize execution costs and obtain best execution for Funds and Other Client Vehicles managed by TruArc, we may aggregate orders for multiple Funds and/or Other Client Vehicles, as long as aggregating would be in the best interests of each participating Funds and/or Other Client Vehicle.

#### *Soft Dollars*

TruArc does not currently utilize any soft dollar benefits or client referrals from broker-dealers in connection with investment transactions.

#### *Allocation of Investment Opportunities*

The Management Company will, from time to time, be presented with investment opportunities that

fall within the investment objectives of Fund IV and Other Client Vehicles. As such, certain conflicts will arise in the allocation of investment opportunities and in connection with the acquisition and/or disposition of portfolio investments by Fund IV. However, until the earliest of (i) the full investment date; (ii) the expiration or termination of the commitment period; or (iii) the date that Fund IV has been dissolved or terminated, each prospective investment opportunity identified by the General Partner, the Management Company or the principals (other than any follow-on investment opportunity related to an existing investment of any Other Client Vehicle) that is within the scope of Fund IV's overall investment objectives and where the amount available to be invested by Fund IV is in excess of \$10 million will be made available to Fund IV before being offered to any other person (excluding, for these purposes, any opportunities (A) in which Fund IV cannot invest due to its investment limitations, (B) in which Fund IV cannot invest because such investment could require the consent, approval or review of the limited partner advisory committee or of the investors, (C) which were not made available to the General Partner, the Management Company, any principal or any of their respective affiliates, or any employee of the General Partner, the Management Company or any of their respective affiliates for investment by Fund IV or (D) which the General Partner determines in good faith are not in the best interests of Fund IV); provided that with respect to any additional funds for which an initial closing of investors has been held prior to the expiration of the commitment period, the General Partner intends to allocate investment opportunities that meet the investment objectives of Fund IV and such additional fund on a basis which the General Partner believes is fair and equitable; provided, however, that the General Partner will obtain the approval of the limited partner advisory committee with respect to the relevant terms of the investment by Fund IV in any portfolio investment in which an additional fund with overall investment objectives substantially similar to those of Fund IV is contributing more than fifty percent (50%) of the aggregate amount of capital invested by Fund IV and such additional fund at the time of such investment.

Reinet will be permitted to co-invest in all or substantially all of the portfolio investments alongside Fund IV through TruArc Fund IV Co-Invest, a Delaware limited partnership which will constitute a co-investment vehicle (and not, for the avoidance of doubt, a parallel investment vehicle or alternative investment vehicle of Fund IV). Reinet's commitment to such vehicle is equal to 20% of its commitment to Fund IV and its participation therein will be made on a "no carried interest" and "no management fee" basis. No other limited partner or other investor will participate through TruArc Fund IV Co-Invest. Without limitation to the disclosures set forth above, the allocation of portfolio investments (and associated Expenses) between Fund IV and TruArc Fund IV Co-Invest has been, and going forward is generally expected to be determined as follows: (a) portfolio investments (and associated Expenses) made prior to the final closing will be allocated 95% to Fund IV and 5% to TruArc Fund IV Co-Invest and (b) portfolio investments (and associated Expenses) made after the final closing will be allocated to Fund IV and TruArc Fund IV Co-Invest pro rata based on then-actual capital commitments to such vehicles. Expenses associated with portfolio investments have been and going forward are expected to be allocated in the same manner. The allocation methodology set forth in the preceding clause (a) is intended to approximate a pro rata allocation based on the anticipated relative final sizes of Fund IV and TruArc Fund IV Co-Invest, respectively, as of the final closing. Given that the size of TruArc Fund IV Co-Invest is now fixed while the size of Fund IV has increased and will continue to increase until the final closing, such allocation methodology has resulted and, until the aggregate commitments to Fund IV and TruArc Fund IV Co-Invest equals or exceeds \$1 billion, will result in, Fund IV being allocated a greater share of portfolio investments (and associated Expenses) made prior to the final closing than would

be the case if such portfolio investments (and associated Expenses) were allocated between Fund IV and TruArc Fund IV Co-Invest based on then-available capital commitments or then-actual capital commitments as of the date of investment.

Because Reinet's commitment to the TruArc Fund IV Co-Invest is now fixed, should the aggregate capital commitments of Fund IV and TruArc Fund IV Co-Invest be less than or greater than \$1.0 billion as of the final closing, TruArc Fund IV Co-Invest would be under-allocated or over-allocated, respectively, with respect to portfolio investments that were made prior to the final closing (when compared to the allocation that would prevail as a result of the application of the post-final closing allocation methodology described in clause (b) above).

Accordingly, in the event that, as of the final closing, the aggregate capital commitments to Fund IV and TruArc Fund IV Co-Invest are materially less than \$1.0 billion, Fund IV could, but is not required to, sell a portion of any portfolio investments made prior to the final closing to TruArc Fund IV Co-Invest in order to cause each of Fund IV and TruArc Fund IV Co-Invest to hold close to its pro rata share (based on actual capital commitments as of the final closing) of such portfolio investments. Such sale would be effected by way of a co-investment "sell down".

Similarly, in the event that the aggregate capital commitments to Fund IV and TruArc Fund IV Co-Invest are materially greater than \$1.0 billion as of the final closing, Fund IV could, but is not required to, purchase a portion of any portfolio investments made prior to the final closing from TruArc Fund IV Co-Invest in order to cause each of Fund IV and TruArc Fund IV Co-Invest to hold close to its pro rata share (based on actual capital commitments as of the final closing) of such portfolio investments. In connection with such purchase, Fund IV could be charged an amount calculated as notional interest on the portion of the portfolio investments acquired thereby (which could be calculated on the same basis as the Preferred Return).

In connection with any sale or purchase transaction between Fund IV and TruArc Fund IV Co-Invest pursuant to the foregoing disclosure, the amount of Expenses associated with the relevant portfolio investment(s) that are borne by Fund IV, on the one hand, and TruArc Fund IV Co-Invest, on the other hand, could be similarly adjusted.

Subject to the foregoing limitations, any allocation of investment opportunities between Fund IV and any Other Client Vehicle will typically take into account the sourcing of the transaction, the nature of the investment focus of Fund IV and such Other Client Vehicle, the relative amounts of aggregate commitments of Fund IV and such Other Client Vehicle or the capital available from each of Fund IV and such Other Client Vehicle for investment, the nature and extent of involvement in the transaction on the part of the respective teams of investment professionals, any requirements contained in the Fund Offering Documents and such Other Client Vehicle and other considerations deemed relevant by the General Partner and the Management Company.

#### *Principal Transactions*

TruArc does not anticipate entering into principal transactions, where we or any of our affiliates purchase or sell any security for our own account from or to the account of any Fund. In the event that we (or our affiliate) may engage in a principal transaction, we will obtain the approval of the applicable Fund's limited partner advisory committee.



### *Cross Transactions*

TruArc is not affiliated with a registered broker-dealer and as such cannot engage in agency cross transactions. While unlikely, we may engage in a cross transaction, where one Fund purchases or sells any security for its own account from or to the account of another Fund. Procedures and requirements for cross transactions are further addressed in the Fund Offering Documents.

## **Item 13 Review of Accounts**

Generally, each week, the investment professionals review all transactions on the Active Pipeline Report, including investments in various stages of diligence and portfolio companies. These meetings are designed to be highly interactive and cover all aspects of ongoing transactions. The group discussions tap into the collective knowledge of the Firm's professionals, allowing each deal team to contribute to, and benefit from, these meetings. With respect to transactions in process, the investment professionals discuss due diligence findings, potential transaction structures, industry dynamics and competitive landscapes. In addition, non-binding letters of intent are discussed and reviewed in detail. With respect to active portfolio companies, the relevant deal team discusses recent company developments. The Investment Committee provides final approval for transactions after the completion of due diligence, transaction documentation and receipt of financial commitments from financing sources.

TruArc reviews all investments on an ongoing basis. Investors receive unaudited quarterly financial statements, audited annual financial statements and annual tax information for the completion of income tax returns. Investors also receive as part of the quarterly package portfolio company reviews. The fund administrator provides accounting (including maintaining limited partner capital accounts), administrative and tax services, including any alternative investment vehicles, parallel investment vehicles and holdings vehicles, to the extent applicable.

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

TruArc has engaged a third-party placement agent to introduce prospective investors to Fund IV. The fees and expenses of any third-party placement agents will be paid by Fund IV, but will be reimbursed by TruArc by offsetting management fees payable by Fund IV.

## **Item 15 Custody**

All cash and any applicable publicly traded securities for the Fund are held in custody by unaffiliated qualified custodians. TruArc maintains custody of certain privately issued securities in accordance with the SEC's guidance for private securities. However, TruArc has access to client accounts since it or an affiliate serves as a General Partner of Fund IV. The Fund is subject to an annual audit by an independent public accountant that is registered with and periodically inspected by the Public Company Accounting Oversight Board ("PCAOB"). Investors in each Fund are provided with annual audited financial statements, prepared in accordance with GAAP, within 120 days of such Fund's fiscal year end.

## **Item 16 Investment Discretion**

TruArc provides discretionary investment advice to Fund IV pursuant to an investment management agreement. The investment management agreement, together with the management authority granted to the General Partner of Fund IV, provides TruArc with full discretion to determine investments to be purchased and sold on behalf of Fund IV and the terms of the related transaction. TruArc's investment discretion is subject to Fund IV's Fund Offering Documents.

## **Item 17 Voting Client Securities**

While the securities evidencing the private equity investments made by the Fund are not typically the subject of proxies, there could be certain circumstances where TruArc, having discretionary authority over the accounts of the Fund, may be asked to vote the securities of such Fund on restructuring or other corporate matters. TruArc will seek to ensure that a record of each securities position held by each Fund is maintained and, where any such vote is to occur, TruArc will seek to ensure that it receives all relevant information, disclosure materials and such proxies or consents as are necessary for TruArc to cast votes in a timely manner.

TruArc will also determine where there is, or appears to be, a material conflict of interest that could influence the voting decision in a manner that would be adverse to the interests of a Fund. If TruArc determines that there is no material conflict of interest, then we will make the voting determination and take the required voting action. If TruArc determines that, due to a conflict of interest, TruArc is not capable of making an independent determination as to the voting decision, then the voting decision will be that recommended by the applicable limited partner advisory committee.

A copy of the proxy voting policy and voting records will be provided to any investor and prospective investor upon request.

## **Item 18 Financial Information**

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

## **Item 19 Requirements for State-registered Advisers**

Not applicable.