

**INVESTMENT ADVISER BROCHURE**

**CAPITOL MERIDIAN PARTNERS LP**

**Capitol Meridian Partners LP  
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**March 31, 2023**

**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Capitol Meridian Partners LP (the “Adviser” or the “Management Company”). If you have any questions about the contents of this Brochure, please contact us at (202) 742-9910. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.**

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

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



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## ITEM 2: MATERIAL CHANGES

This Brochure is the Adviser's updated Form ADV Part 2A from its most recent other-than annual amendment filing made on September 20, 2022. Since the most recent filing, there have been no material changes to the Adviser's business.

## ITEM 4: ADVISORY BUSINESS

The Adviser, a Delaware limited partnership and a registered investment adviser, currently provides investment advisory services to investment vehicles privately offered to qualified investors in the United States and elsewhere. The Adviser commenced operations in September 2021.

The Adviser's clients include Capitol Meridian Fund I LP and Capitol Meridian Fund I-A LP, each a Delaware limited partnership (together, the "Main Fund"); CMP Executive Fund I LP (the "**Executive Fund**") and certain co-investment funds (collectively, the "**Co-Invest Funds**." The Main Fund, the Executive Fund and the Co-Invest Funds, including any parallel or alternative vehicles thereto and any future and private investment funds to which the Adviser or its affiliates provide investment advisory services, are each a "**Fund**," and collectively, the "**Funds**."

Capitol Meridian GP I LP (collectively with any future general partners that may be formed from time to time, each a "**General Partner**" and collectively with the Adviser and their affiliated entities, "**Capitol Meridian**"), is affiliated with the Adviser.

Each General Partner is subject to the Advisers Act pursuant to the Adviser's registration in accordance with SEC guidance. This Brochure also describes the business practices of the General Partners, which operate as a single advisory business together with the Adviser. The Funds are private equity funds and invest through negotiated transactions in operating entities (or "**portfolio companies**"). Capitol Meridian's investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments. Although investments are made predominantly in non-public companies, investments in public companies are permitted. From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of the Adviser or its affiliates generally serve on such portfolio companies' respective boards of directors or otherwise act to influence control over management of portfolio companies in which the Funds have invested. The Executive Fund invests side by side with the Main Fund on a pro rata basis. The Co-Invest Funds generally were formed to invest in a single portfolio company or a limited number of portfolio.

The advisory services to the Funds are detailed in the applicable Fund's private placement memoranda or other offering documents (each, a "**Memorandum**"), if any, limited partnership or other operating agreements (each, a "**Partnership Agreement**" and, collectively with any relevant Memorandum, the "**Governing Documents**") and, as applicable, are further described below under "Methods of Analysis, Investment Strategies and Risk of Loss." Investors in the Funds participate in the overall investment program for the applicable Fund, but in certain



circumstances are excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the Governing Documents; such arrangements generally do not and will not create an adviser-client relationship between the Adviser and any investor. The Funds or the General Partners generally enter into side letters or other similar agreements (“**Side Letters**”) with certain investors that have the effect of establishing rights under, or altering or supplementing the terms (including economic or other terms) of, the Governing Documents with respect to such investors.

Additionally, as indicated above from time to time and as permitted by the Governing Documents, Capitol Meridian expects to provide (or agree to provide) and has provided (and agreed to provide) co-investment opportunities (including the opportunity to participate in co-invest vehicles) to certain limited partners of the Funds (“**Limited Partners**”) or other persons, including other sponsors, market participants, strategic investors (e.g., strategic partners), finders, consultants, Operations Group Members (as defined below), and other service providers, Capitol Meridian’s personnel and/or certain other persons associated with Capitol Meridian and/or its affiliates (e.g., a vehicle formed by Capitol Meridian’s principals to co-invest an annually specified percentage alongside a particular Fund’s transactions). Such co-investments, including those made through the Co-Invest Funds, typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the Fund making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle (including a co-investing Fund) purchases a portion of an investment from one or more Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell-down or transfer), which generally will have been funded through Fund investor capital contributions and/or use of a Fund credit facility. Any such purchase from a Fund by a co-investor or co-invest vehicle generally occurs shortly after the Fund’s completion of the investment to avoid any changes in valuation of the investment. Where appropriate, and in Capitol Meridian’s sole discretion, Capitol Meridian reserves the right to charge interest on the purchase to the co-investor or co-invest vehicle (or otherwise equitably to adjust the purchase price under certain conditions), and to seek reimbursement to the relevant Fund for related costs. However, to the extent such amounts are not so charged or reimbursed, they generally will be borne by the relevant Fund. See also “Methods of Analysis, Investment Strategies and Risk of Loss-Risks of Investment-Conflicts of Interest.”

As of December 31, 2022, the Adviser managed approximately \$462,849,986.30 in client assets on a discretionary basis. The Adviser is principally owned by Brooke Coburn and Adam Palmer, who serve as the Adviser’s Founding Partners (or the “Founders”). Capitol Meridian Partners Holdings LLC acts as the general partner to the Adviser and is wholly owned by Brooke Coburn and Adam Palmer.



## ITEM 5: FEES AND COMPENSATION

In general, Capitol Meridian receives a management fee (the “**Management Fee**”) and a carried interest in connection with advisory services provided to the Main Fund and does not receive a Management Fee or carried interest from the Co-Invest Funds (though the Adviser reserves the right, in its sole discretion, to charge a Management Fee and obtain a carried interest in respect of any co-investment). The Executive Fund is subject to a Management Fee and carried interest on the same terms as the Main Fund as described below; however, the General Partner is permitted to waive such amounts. Capitol Meridian and/or its affiliates receive additional compensation in connection with management and other services performed for portfolio companies of Funds and such additional compensation will offset in whole or in part the Management Fees, if any, otherwise payable to Capitol Meridian in accordance with the Governing Documents. In addition, Capitol Meridian reserves the right to receive compensation for management and other services performed in connection with co-investments made in portfolio companies of the Funds. Investors in a Fund also bear certain expenses. A summary of the Fund’s anticipated fees and expenses follows, but investors should review the applicable Fund’s Governing Documents for details regarding fee structure and expenses. As indicated above, reference to Fund Management Fees and carried interest below are not applicable to the Co-Invest Funds, which do not pay a Management Fee or carried interest.

### **Management Fees**

The Fund is expected to pay a Management Fee equal to 2% on an annual basis of aggregate capital commitments (“**Commitments**”) of investors that are not designated as “affiliated partners” by the General Partner. Payments are made quarterly in advance commencing with the first Management Fee due date after the expiration of the Fund’s investment period or earlier upon the occurrence of certain events as set forth in the Partnership Agreement, the Management Fee will equal 2% of: (i) the aggregate amount of investment contributions, less (ii) the aggregate amount of investment contributions with respect to the portion of each investment that has been disposed of or completely written-off, in each case with respect to investors not designated as “affiliated partners”.

Installments of the Management Fee payable for any period other than a full three month period are adjusted on a *pro rata* basis according to the actual number of days in such period.

The Fund’s Management Fee is expected to be reduced, but not below zero, by an amount equal to 80% of Transaction Fees. “**Transaction Fees**” include any: (i) directors’ fees, financial consulting fees or advisory fees paid to the General Partner with respect to any Fund investment; (ii) transaction fees paid to the General Partner with respect to any Fund investment; and (iii) break up fees with respect to Fund transactions not completed that are paid to the General Partner or the Operations Group, in each case net of certain expenses as set forth in the Partnership Agreement; but not including, in any event, any amount received by the General Partner or other person from a portfolio company (A) as reimbursement for expenses directly related to such portfolio company; (B) as payment for services provided to any portfolio company in the ordinary course of such portfolio company’s business; (C) as compensation for services provided by the General Partner or other person as an employee of or in a similar capacity for such portfolio company; or (D) as compensation, including fees, incentive equity or other stock awards and expense reimbursements,



for services rendered by the Operations Group (or a member thereof) to a portfolio company or prospective portfolio company.

Various costs and expenses will reduce Transaction Fees (and therefore such amounts will not reduce the Management Fee), including out-of-pocket costs and expenses (including travel expenses) incurred by the General Partner in connection with any consummated or unconsummated transaction or in connection with generating any such Transaction Fees.

Any fees of the type described in the definition of “Transaction Fees” with respect to an investment or potential investment (including unconsummated transactions) will be allocated to each Fund only to the extent of such Fund’s relative ownership or anticipated ownership of such investment or potential investment on a fully-diluted basis, or in such other manner as the General Partner considers fair and equitable to its clients under the circumstances. Accordingly, each Fund will, in most cases, only benefit from the Management Fee reduction described above with respect to its allocable portion of any such Transaction Fee and not the portion of any such fee allocable to any other person that holds an economic interest in (or, in the case of an unconsummated transaction, would have held an economic interest in) the applicable portfolio company or potential portfolio company (including without limitation any co-investor).

### **Carried Interest**

As more fully described in the Governing Documents, the Funds’ General Partner generally will receive a carried interest with respect to the Fund equal to 20% of realized profits in excess of an 8% compounded preferred return and subject to a General Partner catch-up provision. The carried interest distributed to the General Partner is subject to a potential clawback at the end of the Fund’s life if such General Partner has received excess cumulative distributions.

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

### **Other Information**

The General Partner is authorized, in its sole discretion, to designate certain investors as “affiliated partners” (whether or not they are actual affiliates of Capitol Meridian); including Capitol Meridian employees, Operations Group Members (as defined below), “friends and family” of Capitol Meridian or its personnel, or other investors meeting certain qualification requirements based on commitment size or other strategic or relationship factors. Such “affiliated partners” generally will be exempted from all or some portion of the Management Fee and/or carried interest. For example, the General Partner and Limited Partners who are affiliates, employees or other designees, including persons designated as “affiliated partners,” Operating Partners or Senior Advisors engaged or retained by Capitol Meridian, generally will not be subject to the Management Fee or carried interest. Capitol Meridian is also permitted to waive or reduce management fees and/or carried interest for any “executive fund” it manages. In general, the Management Fee offsets described above apply only with respect to the capital commitments of fee-paying investors.

Any such exemption from fees and/or carried interest is permitted to be made by a direct exemption, a rebate by the Adviser and/or its affiliates, or through other Funds which co-invest with a Fund. Additionally, the General Partner has the right to permit investors, affiliated with



Capitol Meridian or otherwise (including the persons indicated above), to invest through the General Partner or other vehicles that do not bear Management Fees or carried interest.

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

Principals or other current or former employees of Capitol Meridian or its affiliates generally receive salaries and other compensation derived from, and in certain cases including a portion of, the Management Fee, carried interest or other compensation received by the Adviser or its affiliates.

In addition to the Management Fee, each Fund is expected to pay, or reimburse the General Partner for, all other fees, costs, expenses, liabilities and obligations (referred to collectively in this definition as “**costs**”) relating to such Fund and/or its subsidiaries’ and intermediate entities’ activities, business, alternative investment vehicles, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company or potential portfolio company), including all costs relating or attributable to: (i) activities with respect to the sourcing, identifying, pursuing, structuring, organizing, negotiating, consummating, financing, refinancing, diligencing, acquiring, bidding on, owning, managing, monitoring, operating, holding, hedging, restructuring, recapitalizing trading, taking public or private, selling, valuing, winding up, liquidating, dissolving or otherwise disposing of, as applicable, the Fund’s portfolio companies and its actual and potential investments (including follow-on investments) or seeking to do any of the foregoing (including any associated legal, financing, commitment, transaction or other costs payable to attorneys, accountants, tax professionals, investment bankers, lenders, expert networks, third-party diligence, software and service providers, consultants and similar professionals in connection therewith and any costs related to transactions that were offered to co-investors), whether or not any contemplated transaction or project is consummated and whether or not such activities are successful; (ii) indebtedness of, or guarantees made by, the Fund, the General Partner or any “affiliated partner” on behalf of the Fund (including any credit facility, letter of credit or similar credit support or any indebtedness entered into pending participation by a co-investor in an investment), including the repayment of principal and interest with respect thereto, or evaluating, negotiating or conducting any other activities related to seeking to put in place or amend any such indebtedness or guarantee; (iii) financing, commitment, origination and similar fees and expenses; (iv) broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, private placement fees, sales commissions, investment banker, finder and similar services (including buy- and sell-side finders’ fees as well as similar deal sourcing payments); (v) brokerage, sale, custodial, depository, local paying agent, trustee, record keeping, account, registered office and similar services (including any depository appointed pursuant to the AIFMD and any Swiss representative or paying agent appointed pursuant to the Swiss Collective Investment Schemes Act (as amended) and the Swiss Financial Services Act (as amended), including any law, rule or regulation relating to the implementation thereof); (vi) reporting, filings and other ongoing compliance requirements contemplated by the AIFMD or any similar law, rule or regulation (other than the initial and/or preliminary registrations, filings and compliance obligations related thereto), including secondary



legislation, regulations, rules and/or associated guidance, and any related requirements; (vii) legal, accounting, research (including expert consultants, research reports, subscriptions to any periodicals, databases and/or research services, research calls and meetings and research or industry conferences), auditing, technology, administration (including costs associated with the Fund's third-party administrator and administration, tracking or reporting software, if any), information, appraisal, advisory, valuation (including third-party valuations, fairness opinions, appraisals or pricing services, including with respect to portfolio company transactions entered into between the Fund and other investment vehicles affiliated with the General Partner), consulting (including consulting and retainer fees, salaries, bonuses, guaranteed minimums and other compensation or expense reimbursements paid to, and benefits or personnel costs (including employee benefits, payroll taxes, insurance, paid time-off and other office space) provided to, or on behalf of, the Operations Group (as defined below) or any of its members, consultants performing investment initiatives or providing services related to environmental, social and governance investment considerations and policies and other consultants), tax, information technology and other professional services (including costs related to the establishment or maintenance of any such activities or services); (viii) reverse breakup, termination and other similar arrangements (including with respect to contemplated transactions that may have been offered to co-investors); (ix) insurance, including directors and officers liability, fidelity bond, cybersecurity, investment management liability, errors and omissions liability, crime coverage and general partnership liability premiums and other insurance expenses (including costs related to any retention or deductibles and broker costs and commissions) and any consultants, data providers or other advisors utilized in the procurement, review, maintenance and analysis of insurance; (x) filing, title, transfer, environmental diligence, survey registration and other similar activities; (xi) printing, communications, mailing, courier, marketing, advertising and publicity; (xii) the preparation, distribution or filing of Fund-related or investment-related financial statements or other reports, tax returns, tax estimates, Schedule K-1s or similar forms or other communications with Partners, any other administrative, compliance or regulatory filings or reports (including Form PF, Bureau of Economic Analysis reports and any filings or reports contemplated by the AIFMD or any similar law, rule or regulation), or other information, including costs of any third-party service providers and professionals related to the foregoing; (xiii) compliance with any financial account reporting regime and foreign account reporting requirements, including, without limitation, FATCA and the OECD Standard for Automatic Exchange, and any costs of any third-party service providers and professionals related to the foregoing; (xiv) developing, licensing, implementing, maintaining or upgrading any web portal, website, extranet tools, computer software (including accounting, investor tracking, investor reporting, ledger systems, financial management and cybersecurity) or other administrative or reporting tools (including subscription-based services) for the benefit of the Fund or the Limited Partners; (xv) any activities with respect to protecting the confidential or non-public nature of any information or data (including any costs incurred in connection with data protection laws or Freedom of Information Act requests); (xvi) to the extent provided in the Partnership Agreement, or otherwise approved by the General Partner in its sole discretion, activities or proceedings of the limited partner advisory board ("Advisory Board") (including any reasonable out-of-pocket costs incurred by representatives of the General Partner, the Advisory Board members, permitted observers and other Persons in attending or otherwise participating in meetings of the Advisory Board); (xvii) indemnification (including legal and any other costs incurred in connection with indemnifying any Partner or



other person pursuant to the Partnership Agreement and advancing costs incurred by any such person in defense or settlement of any claim that may be subject to a right of indemnification pursuant to the Partnership Agreement), except as otherwise set forth in the Partnership Agreement; (xviii) actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including the costs of discovery related thereto and any judgment, other award or settlement entered into in connection therewith; (xix) any annual, periodic or special meeting of the partners, any other conference, meeting or webcast or other video conference with any partner(s) (in each case, including any costs associated with venue, set-up, room and board, dining, entertainment, gifts, honorarium, events or speakers and other meeting or conference-related costs) and any other activities necessitated by and incidental to the Fund's global investor base, in each case to the extent incurred by the Fund, the General Partner or any other affiliate of the General Partner; (xx) except as otherwise determined by the General Partner in its sole discretion, any cost relating to any alternative investment vehicle or its activities, business, portfolio companies or actual or potential investments (to the extent not borne or reimbursed by a portfolio company of such alternative investment vehicle) that would be a Fund expense or organizational expense if it were incurred in connection with the Fund, and any costs incurred in connection with the formation, management, operation, termination, winding up, liquidation, structuring, restructuring and dissolution of any feeder vehicles related to the Fund to the extent not paid by the investors investing in such entities and any other costs related to any structuring or restructuring of any alternative investment vehicle, portfolio company or portfolio company of any alternative investment vehicle; (xxi) the termination, liquidation, winding up, structuring, restructuring or dissolution of the Fund, the General Partner, any entities owned directly or indirectly by the Fund (including portfolio companies) and related entities; (xxii) defaults by partners in the payment of any capital contributions; (xxiii) amendments to, and waivers, consents or approvals pursuant to, the constituent documents of the Fund, the General Partner and related entities and any alternative investment vehicle of the Fund, including the preparation, distribution and implementation thereof; (xxiv) (A) compliance with any law, rule, regulation, policy, directive or special measure (including in relation to privacy, data protection, know-your-customer, anti-money laundering, sanctions or anti-terrorism considerations), including any legal, administrator, consulting or other third-party service provider costs related thereto, and any regulatory costs of the General Partner or any of its affiliates incurred in connection with the operation of the Fund and any costs related to compliance with any environmental, social or governance or other investment considerations and policies applicable to the Fund, the General Partner and/or any of their respective affiliates and/or (B) the validation or other conformation of any payments made to the Fund or the General Partner (including pursuant to or otherwise in connection with any anti-money laundering laws, rules or regulations); (xxv) any litigation or governmental inquiry, investigation or proceeding involving the Fund, including any costs of discovery related thereto and the amount of any judgments, settlements or fines paid in connection therewith, except as set forth in the Partnership Agreement; (xxvi) any consultants, experts or advisors engaged, including independent appraisers engaged by the General Partner in connection with the Fund considering, making, holding or disposing of, directly or indirectly, an investment in the same person as one or more other investment vehicles (other than the Fund) managed or controlled by the General Partner or any of its affiliates; (xxvii) unreimbursed costs incurred in connection with any transfer or proposed transfer by a Limited Partner or any Limited Partner's name change, internal restructuring or change in trust, registered agent or custodian; (xxviii) any taxes,



fees and other governmental charges levied against the Fund and all costs incurred in connection with any tax audit, inquiry, investigation settlement or review of the Fund and any costs of or related to the “partnership representative” of the Fund or the “designated individual” thereof; (xxix) distributions to the partners and other expenses associated with the acquisition, holding and disposition of the Fund’s investments, including extraordinary expenses; (xxx) unreimbursed and unpaid costs of the Operations Group or its members, employees or other persons engaged by the Operations Group (including without limitation Operating Partners); (xxxi) compliance or regulatory matters related to the Fund, including compliance with the Partnership Agreement (including most favored nations processes) and/or any side letter or similar agreement; (xxxii) attendance of any member, manager, shareholder, partner, director, officer, employee or affiliate of the General Partner, the Management Company or any of their respective affiliates or any portfolio company personnel or consultants (including Operating Partners and other members of the Operations Group) at any meeting, conference or training program (including those hosted by the Management Company or its affiliates), including any applicable registration costs and exhibition, sponsorship or other presentation costs; (xxxiii) all costs and expenses associated with operating a feeder fund which invests all or substantially all of its assets in the Fund, including all expenses associated with its management, operation, winding-up, liquidating and dissolution and with preparing and distributing such feeder fund’s financial statements, tax returns and equity-holder reports, but not including any income-based or similar taxes, fees or other governmental charges levied against such feeder fund; (xxxiv) any travel (including air travel (including, where appropriate as determined by the General Partner, the cost of using private aircraft or other private air travel at a cost not to exceed the cost of first class commercial airfare), ground transportation (including car service) and incidental travel expenses) and lodging, meals or entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities; (xxxv) developing, structuring, maintaining, operating and winding up administrative structures in non-U.S. countries that are put in place to facilitate the investment activities of the Fund (including the salary and benefits of any personnel reasonably necessary for the maintenance of such structures, other overhead, rent and similar costs in connection therewith); (xxxvi) any of the items listed in clauses (i) through (xxxv) above relating to any investment, restructuring, taking public or private, disposition, transaction, project or other opportunity not consummated or otherwise not successful, whether undertaken prior to the initial closing date or otherwise and/or that may have been offered to co-investors (including co-investors’ proportionate share of any costs and expenses related to an investment or other opportunity not consummated); (xxxvii) any Organizational Expenses; (xxxviii) any Placement Fees; and (xxxix) any other costs approved by the Advisory Board.

In the event that Capitol Meridian Fund I-A LP proposes to structure an investment using a blocker corporation or other intermediate entity to avoid causing its Limited Partners to incur UBTI (as defined below) or ECI (as defined below), all costs, expenses and reduction in proceeds attributable to such blocker corporation or other intermediate entity, including those related to the structuring, formation, operation and liquidation of, and all taxes incurred in connection with, related to or imposed on, a blocker corporation or other intermediate entity will be borne solely by the Limited Partners investing through such intermediate entity.

The Funds also bear expenses indirectly to the extent a portfolio investment (or intermediate entity) pays expenses, including expenses of the Adviser and/or its affiliates.



Generally included in the expenses permitted to be borne by a Fund are the fees, costs, expenses, liabilities and obligations of legal counsel, consultants and/or other service providers to procure, develop, establish, review, revise, customize, upgrade and/or negotiate relationships relating to the foregoing items, which generally are expected to be significant. As is typical for private equity funds, the Funds likely bear additional and greater expenses, directly or indirectly, than many other pooled investment products, such as mutual funds, and there can be no assurance that the benefits to investors will be commensurate with such expenses. To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth in “Brokerage Practices.”

In certain circumstances, one Fund has the potential to pay an expense common to multiple Funds (including without limitation legal expenses for a transaction in which all such Funds participate, or other fees or expenses in connection with services the benefit of which are received by other Funds over time), and be reimbursed by the other Funds by their share of such expense, without interest. While Capitol Meridian believes such circumstances to be unlikely, it is possible that one of the other Funds could default on its obligation to reimburse the paying Fund. More often, Capitol Meridian is expected to advance amounts related to the foregoing and receive reimbursement from the Funds to which such expenses relate.

As described above, in certain circumstances, the relevant General Partner is expected to permit certain investors to co-invest in portfolio investments alongside one or more Funds, subject to Capitol Meridian’s related policies and the relevant Governing Documents and/or Side Letter(s). Where a proposed transaction that was to have included one or more co-investors is not consummated, or a potential co-investor does not invest in a planned co-investment, all fees, costs and expenses or other liabilities or obligations (including broken deal fees and expenses) relating to such proposed transaction will be borne by the Fund and not by any prospective co-investors that were to have participated in such transaction. Typically, the Fund will bear such fees and expenses regardless of whether any co-investor(s) had yet been identified or confirmed, or whether any co-investment vehicle had yet been formed in connection with the relevant transaction. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such vehicle is expected to also bear its share of such fees and expenses.

The Adviser and/or its affiliates generally have discretion over whether to charge Transaction Fees, monitoring fees or other compensation to a portfolio investment and, if so, the rate, timing, method and/or amount of such compensation. In most circumstances, such compensation is not reviewed or approved by an independent third party. The receipt of such compensation generally will give rise to potential conflicts of interest between the Funds, on the one hand, and the Adviser and/or its affiliates on the other hand.

### **Capitol Meridian Operations Group**

Additionally, as further described herein and in the applicable Memorandum and/or Partnership Agreement of each Fund Capitol Meridian is authorized to create an operations group (the “Operations Group”) comprised of persons retained or employed by the Management Company, the General Partner or any of their respective affiliates (including, without limitation, Operating Partners) primarily to provide manufacturing, sales, marketing, technology, human resources, business development, strategy, due diligence, acquisition, integration/rationalization



and/or other operations services, executive management or board of director services, or similar services to the Fund, any alternative investment vehicle or any portfolio company or prospective portfolio company of the Funds or any alternative investment vehicle. Any compensation (including consulting and retainer fees, incentive equity or other stock awards, bonuses, guaranteed minimums and other compensation paid to,) and any reimbursement of certain travel and other costs or expenses received by members of the Operations Group generally will be paid by a portfolio company or prospective portfolio company (which payments are not included as “Transaction Fees”) or directly by the Fund. No such amounts will reduce the Management Fee. The use of the Operations Group subjects Capitol Meridian to conflicts of interest, as discussed under “Conflicts of Interest,” below.

#### **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As described under “Fees and Compensation,” the relevant General Partner receives a carried interest allocation on certain realized profits in the Fund. Capitol Meridian also reserves the right to manage an “executive fund,” which does not bear carried interest (and/or a Management Fee). This could present a conflict of interest with respect to the “executive fund” because Capitol Meridian has an incentive to favor accounts for which it receives the highest performance-based compensation. Additionally, to the extent the Adviser has Funds with varying carried interest terms or Capitol Meridian personnel are assigned varying percentages of carried interest from the Funds, such personnel are subject to potential conflicts of interest, to the extent they are involved in identifying investment opportunities as appropriate for Funds from which they are entitled to receive a higher carried interest percentage.

Capitol Meridian seeks to address the potential for conflicts of interest in these matters with allocation policies and practices that provide that transactions and investment opportunities will be allocated to the Funds in accordance with each Fund’s investment guidelines and Governing Documents, as well as other factors that do not include the amount of performance-based compensation received by Capitol Meridian or any personnel.

The existence of performance-based compensation has the potential to create an incentive for the General Partner to make more speculative investments on behalf of a Fund than it would otherwise make in the absence of such arrangement, although Capitol Meridian generally considers performance-based compensation to better align its interests with those of its investors.

#### **ITEM 7: TYPES OF CLIENTS**

Capitol Meridian provides investment advice to the Fund clients, and references throughout this Brochure to “clients” and Capitol Meridian’s related duties to and practices on behalf of its clients and/or investors should be construed accordingly. The Funds include investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the U.S. Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder (the “**Investment Company Act**”). The investors participating in the Funds are expected to include individuals, banks or thrift institutions, insurance companies, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and, directly or indirectly, principals or other employees of



Capitol Meridian and its affiliates and members of their families, Operations Group members or other service providers retained by Capitol Meridian.

For legal, tax, regulatory or other reasons, Capitol Meridian is authorized to form one or more alternative investment entities to make, restructure, or otherwise hold investments, including outside the Funds. Generally, in such event, each investor that participates in an alternative investment vehicle would do so on substantially the same terms and conditions as it participates in the Funds.

The Fund generally has a minimum investment amount of \$5 million for third-party investors. Such minimum investment amount may be waived by the General Partner. Fund interests are offered and sold solely to “accredited investors,” as defined in Regulation D promulgated under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), and, unless waived in the discretion of the General Partner, “qualified purchasers” as that term is defined under the Investment Company Act (or certain qualified knowledgeable Capitol Meridian personnel).

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **General**

Capitol Meridian intends to principally focus on making investments in businesses that provide critical services and products to government customers directly or in markets heavily influenced by government policies and regulations. Capitol Meridian will look to leverage their investment experience, sector knowledge and extensive executive networks to identify, invest in, and strategically transform businesses operating in these markets. These target businesses are expected to have EBITDA generally between \$15 million and \$75 million with the potential to require \$50 million to \$150+ million of equity upfront or over time. Capitol Meridian generally intends to target control investments with visible cash flows and attractive fundamentals.

There can be no assurance that Capitol Meridian will achieve the investment objectives of any Fund and a loss of investment is possible.

### **Investment and Operating Strategy**

Capitol Meridian will seek to make control-oriented investments in business-to-government, regulated, and government-influenced markets, utilizing a consistent and disciplined investment strategy. Capitol Meridian seeks to invest \$50 million to \$150+ million in each of these respective investments.

Capitol Meridian intends to focus on areas in which its team has prior experience, such as government & business services, aerospace & defense, and technology & communications. Capitol Meridian seeks to utilize a flexible, control-oriented strategy that leverages the breadth of the Founding Partners’ experience executing traditional buyouts, growth buyouts, carve-outs, platforms/build-ups, and founder and corporate partnerships.

Capitol Meridian’s deal origination strategy is expected to draw from its sector experience and broad relationship network, which we believe to be an important and valuable. At the core, this sourcing model is expected to be a rigorous, pro-active and time consuming, sector-focused



approach to deal origination, but also remains open to opportunistic situations that arise from within Capitol Meridian's deep industry networks and continuous presence in the sector. When pursuing pro-active origination activities, Capitol Meridian's investment team is expected to start with hypothesis development based on its industry experience and contacts within its target markets. Capitol Meridian seeks and expects to leverage its networks to develop differentiated insights around market sub-segments experiencing transformation, growth, structural dislocation, excessive fragmentation, or unmet customer needs. Capitol Meridian plans to review these themes, discuss, and debate them with its investment team as well as relevant experts drawn from Capitol Meridian's network. Thereafter Capitol Meridian typically expects to test these hypotheses with other external market participants, and ultimately prioritize prospective attractive areas of investment focus.

Once potential investment prospects have been identified, we anticipate applying a screening framework drawing from Capitol Meridian's investment experience in its respective target markets. The due diligence approach Capitol Meridian expects to bring to all investment opportunities is comprehensive, but Capitol Meridian's areas of emphasis will vary depending on the sector. Capitol Meridian's due diligence review is expected to typically start with a review of how the opportunity aligns with Capitol Meridian's views of the target markets, the experience of Capitol Meridian's investment team, and an inventory of which Operating Partners and similar professionals have relevant experience.

In managing its portfolio, Capitol Meridian seeks to develop a well-planned strategy of active engagement with each portfolio company. To drive this strategy, during due diligence Capitol Meridian intends to focus on the identification of key levers for improving the business that are within the direct control of the company. Capitol Meridian seeks to invest in opportunities where we can drive transformational change and value creation through impacting any number of these levers or others particular to the specific situation.

Capitol Meridian believes that the combination of: (i) adhering to a consistent value creation plan development, (ii) engaging with management in the creation of such plan, (iii) establishing a cadence of review and engagement, (iv) having an executive board resource involved, and (v) having access to an extensive list of professional resources standing by to assist, is the most effective technique for maximizing the value creation potential for each individual portfolio company.

## **Risks of Investment**

Each Fund and its investors bear the risk of loss that the Adviser's investment strategy entails. The risks involved with the Adviser's investment strategy and an investment in a Fund include, but are not limited to, those described below:

*Investments in Private Companies.* The Fund's investment portfolio is expected to consist of securities issued by privately held companies and other investments, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.



*Absence of Operating History; Performance and Loss of Principal.* The Fund consists of newly organized entities that have no prior operating history or track record. Accordingly, the Fund does not have performance history for a prospective investor to consider. An investor should only invest in the Fund as part of an overall investment strategy, and only if the investor is able to withstand a total loss of its investment in the Fund. While the General Partner intends for the Fund to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that any targeted internal rate of return will be achieved. With respect to any of the Fund's investments, loss of principal will be possible.

Information about investment strategies of the Adviser's professionals is provided solely to illustrate such persons' investment experience, and processes and strategies. It does not represent any track record of, or any vehicles managed by, the Adviser, which was recently formed. Such information is not intended to be indicative of the Fund's future results. Prior to founding the Adviser, the Founders were on the investment committees of certain funds sponsored by another private equity fund manager, and/or otherwise contributed to the identification, evaluation, negotiation and execution of investments made by such funds. The Founders did not have sole decision-making authority with respect to investment decisions, which were subject to investment committee approval processes not controlled by the Founders. Other investment professionals not employed by the Adviser, including junior and senior partners, principals, managing directors, vice presidents, associates and analysts, as well as operating partners, operating executives and similar professionals, were involved in the identification, evaluation, negotiation, and execution of investments and operational initiatives and any sale or liquidity processes with respect to such investments. The performance of the Founders' prior investments is not necessarily indicative of the Fund's future results, nor is their structure necessarily indicative of what will be the structure of the Fund's investments. Furthermore, it should not be assumed any such investments were profitable.

*Concentration of Investments; Lack of Diversification.* The Fund will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment, certain regions or sectors, or within a short period of time. As a result, the Fund's investment portfolio could become highly concentrated, and the performance of a few holdings or of a particular industry or sector may substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, the Fund may invest in fewer portfolio investments, real estate investments and real estate-related assets and thus be less diversified. If the Fund co-invests with another investment fund or investment vehicle (including any vehicle managed by Capitol Meridian), a Limited Partner invested in such other investment vehicle would have exposure to a single investment through more than one fund, potentially increasing such Limited Partner's losses; conversely, the Fund would have less exposure than if the Fund did not co-invest, potentially diluting returns.

The Fund is authorized to provide interim financing ("**Bridge Financing**") to facilitate certain investments. It is possible that all or a portion of a Bridge Financing will not be recouped within the time period specified in the Partnership Agreement, in which case the investment would be treated as a permanent investment of the Fund. As a result, the Fund's portfolio could become more concentrated with respect to such investment than initially expected or otherwise provided for under the Fund's investment limitations, certain of which exclude Bridge Financing investments.



Unspecified Investments. Limited Partners will be relying on the ability of the General Partner to locate and evaluate the investments to be made by the Fund using the proceeds of this offering. The activity of identifying, structuring, completing and realizing private equity, real estate and other investments involves a high degree of uncertainty and is subject in some cases to the prevailing capital market, regulatory or political environment. There can be no assurance that the General Partner will be able to identify, or the Fund will be able to complete, investments that satisfy the Fund's investment objectives or, if completed, realize such investments for fair or attractive values or that the Fund will be able to fully invest its committed capital.

Lack of Sufficient Investment Opportunities; Competition for Investments. The business of identifying, structuring and completing private equity transactions is highly competitive and involves a high degree of uncertainty. The Fund will encounter competition from other entities having similar investment objectives. Potential competitors include other investment partnerships and corporations, strategic industry acquirers, and other financial investors, including hedge funds, publicly traded special purpose acquisition vehicles ("SPACs"), and other private equity funds. Over the past several years, an increasing number of investment funds have been or are being formed, and many fund sponsors have increased the size of successor funds as compared to their corresponding prior funds, including private equity funds operating in Capitol Meridian's targeted markets. Other investment funds with similar investment objectives to the Fund likely will be formed in the future by other unrelated parties. Some of these competitors may have more relevant experience, greater financial resources, a greater willingness to take on risk, or more personnel than the General Partner, the Fund and their respective affiliates.

The Adviser expects that competition for appropriate investment opportunities may increase, which may also require the Fund to participate in auctions, the outcome of which cannot be guaranteed, thus reducing the number of investment opportunities available to the Fund and/or adversely affecting the terms upon which portfolio investments can be made.

To the extent that the Fund encounters significant competition for investments, returns to Limited Partners could decrease. In addition, it is possible that the Fund will never be fully invested if enough sufficiently attractive investments are not identified and consummated. However, regardless of the extent to which the Commitments of the Limited Partners are invested (or drawn down to be invested), the Limited Partners will be required to bear Management Fees through the Fund during the Investment Period based on the entire amount of the Commitments of the Limited Partners not designated as affiliated partners and other expenses as set forth in the Partnership Agreement.

Investment in Junior Securities. The securities in which the Fund will invest may be among the most junior in an investment's capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect the Fund's investment once made.

Reliance on Government Contracts. The Fund expects to invest in portfolio companies that are heavily dependent on government contracts, which may be only partially funded. These contracts are subject to the government's political and budgetary constraints (which can change), changes in short-range and long-range plans, the timing of contract awards, the congressional budget authorization and appropriation processes, the government's ability to terminate contracts for convenience or for default, as well as other risks such as contractor debarment in the event of



certain violations of legal and regulatory requirements. Portfolio companies providing services under U.S. government contracts are also subject to extensive regulation and audit by agencies of the U.S. government. If such portfolio companies are subject to adverse audits or regulatory or legal actions by the U.S. government, such portfolio companies could be subject to liabilities, penalties, and disqualification from future government contracts, adversely affecting the business and results of the Fund. Portfolio companies providing services under contracts with governments of other countries face similar risks, as well as those set forth in this section under “Non-U.S. Operations.” In addition, the possibility of complete or partial government shutdowns, including as a result of a delay or failure by legislators to approve funding legislation as has occurred or nearly occurred frequently in the U.S., COVID-19 or otherwise, is likely to delay award of government contracts and timing of payments. Changes in executive and legislative branches of government also have the potential to impact the size and terms of government contracts in a way that negatively impacts portfolio companies.

Unrestricted Investments. Subject only to the Fund’s investment restrictions in the Partnership Agreement, the General Partner will have no limitation in the general types of investments that it may make with the assets of the Fund, and in its sole discretion will opportunistically select whatever permitted investments it believes during such time are suited to the Fund in light of prevailing market conditions and other factors it considers relevant. For some of these investments, no specific “risk factors” are described in this Brochure or the Governing Documents of the Fund. The General Partner will not be required to select any particular types of permitted investments and reserves the right to refrain from making certain types of permitted investments on behalf of the Fund, whether or not such investments are specifically described in the Governing Documents of the Fund, and without notice to Limited Partners. There can be no assurance that the various investments the General Partner expects to make from time to time will be successful and generate profits for the Fund.

Dynamic Investment Strategy. While the General Partner generally intends to seek attractive returns for the Fund primarily through the investment strategy and methods described herein, many factors have the potential to contribute to changes in emphasis in the construction of the portfolio, including changes in market or economic conditions or regulation applicable to particular industries and changes in the political or social situations in particular countries. As a result, the General Partner is permitted to pursue additional investment strategies and/or modify or depart from its initial investment strategy, investment process and investment techniques as it deems appropriate. The General Partner reserves the right to pursue investments outside of the industries and sectors in which the Founders have previously made investments or have internal operational experience.

Impact of Government Regulation, Reimbursement and Reform. The industry segments in which the Fund will concentrate its investments are (a) highly regulated at both the federal and state levels in the U.S. and internationally and (b) subject to frequent regulatory change. Certain segments may be highly dependent upon various government (or private) reimbursement programs. While the Fund intends to invest in companies that seek to comply with applicable laws and regulations, the laws and regulations relating to certain industries are complex, may be ambiguous or may lack clear judicial or regulatory interpretive guidance. An adverse review or determination by any applicable judicial or regulatory authority of any such law or regulation, or an adverse change in applicable regulatory requirements or reimbursement programs, could have



a material adverse effect on the operations or financial performance of the companies in which the Fund invests.

*Illiquidity; Lack of Current Distributions.* An investment in the Fund should be viewed as an illiquid investment. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The Fund's ability to dispose of investments may be limited for several reasons. Illiquidity may result from the absence of an established market for the investments, as well as legal, contractual or other restrictions on their resale by the Fund. Dispositions of investments may be subject to contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any disposition thereof. In view of these limitations on liquidity, the Fund generally will not be able to return capital or realize gains, if any, on an investment in a privately-held entity until the partial or complete disposition of such entity. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating the Fund (including the Management Fee payable to the Management Company) may exceed its income, thereby requiring that the difference be paid from the Fund's capital, including unfunded Commitments.

*Leveraged Investments; Borrowing.* The Fund is generally permitted to make use of leverage by incurring (or having a portfolio company incur) debt to finance a portion of its investment in a given portfolio company, including in respect of companies not rated by credit agencies. Leverage generally magnifies both the Fund's opportunities for higher returns and its risk of loss from a particular investment, and the magnification of the risk of loss has the potential to be substantial. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, especially in light of the uncertainty in connection with the ongoing COVID-19 pandemic. As a result, at times it may be difficult for portfolio companies to obtain or maintain the desired degree of leverage. The availability of leverage also is subject to governmental and regulatory oversight, and certain governmental bodies (including the U.S. Federal Reserve System (the "Federal Reserve"), the U.S. Office of the Comptroller of the Currency and the U.S. Federal Deposit Insurance Corporation) may restrict or otherwise discourage lending that results in companies carrying large amounts of debt. The use of leverage also imposes restrictive financial and operating covenants on a portfolio company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. In addition, the leveraged capital structure of a portfolio company will increase the exposure of the Fund's investments to any deterioration in a portfolio company's condition or its industry, competitive pressures, an adverse economic environment or rising interest rates (which in recent years have been at or near historic lows) and could accelerate or magnify declines in the value of the Fund's investment in a leveraged portfolio company in a market downturn. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, the Fund may suffer a partial or total loss of capital invested in such portfolio company, as well as any guaranteed amounts as discussed below, which could adversely affect the returns of the Fund. Additionally, in such a situation, lenders would typically have a claim that has priority over any claim by the Fund to the assets of such portfolio company in an insolvency event or proceeding. Should the credit markets be limited or costly at the time



the Fund determines that it is desirable to sell all or a portion of a portfolio company, the Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts for such portfolio company. If a portfolio company is unable to obtain favorable financing terms for its investments, refinance its indebtedness or maintain a desired or optimal level of financial leverage, the Fund may hold a larger than expected equity investment in such portfolio company and may realize lower than expected returns from such portfolio company, which would likely adversely affect the Fund's ability to generate attractive investment returns for the Fund as a whole. Any failure by lenders to provide previously committed financing could also expose the Fund to potential claims by sellers of prospective portfolio companies that the Fund may have contracted to purchase.

The Fund is also permitted to borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt, a letter of credit or other forms of promise to provide funding) or otherwise be liable therefor, and in such situations, it is not expected that the Fund would be compensated for providing such guarantee or exposure to such liability. Co-investors are expected to receive the benefit of such guarantee, although because co-investors typically do not agree to participate in guaranty arrangements in negotiating to participate in a transaction, co-investors are not expected to bear a commensurate percentage of potential liability. Any use of leverage by the Fund generally also will result in fees, interest expense and other costs to the Fund that may exceed, or otherwise not be covered by distributions made to the Fund or appreciation of its investments. While Fund-level borrowings generally will be interim in nature, asset-level leverage generally will not be subject to any limitation regarding the amount of time such leverage may remain outstanding. The Fund is permitted to incur leverage on a joint and several basis with one or more other investment funds and entities managed by or otherwise affiliated with the General Partner or any of its affiliates and, in connection with incurring such indebtedness, the General Partner reserves the right, in its sole discretion, to cause the Fund to enter into one or more agreements to obtain a right of contribution, subrogation or reimbursement from or against such entities. However, it is possible that, if and when the Fund were to seek to enforce any such right, any such entity could default on its obligation and/or such right may otherwise be unenforceable. In addition, to the extent the Fund incurs leverage or provides any guaranty, such amounts are permitted to be secured by the capital commitments of the Fund's investors and other Fund assets. The inability of the Fund to repay any leverage secured by the capital commitments of the Fund's investors could enable a lender to issue a capital call directly to the Fund's limited partners which would require such investors' contributions to be made directly to the lenders instead of the Fund. Additionally, the incurrence of leverage by the Fund or a flow-through entity for U.S. federal income tax purposes owned by the Fund may cause tax-exempt Partners to recognize "unrelated business taxable income" within the meaning of Section 512 of the Code ("**UBTI**").

*Subscription Lines; Use of Credit Facility.* As indicated above, the Fund is permitted to enter into a subscription line with one or more lenders in order to finance its operations (including the acquisition of the Fund's investments and the payment of Fund fees and expenses). The Fund also is permitted to seek to enter into one or more other types of revolving credit facilities (the collateral for which can be, for example, one or more assets of the Fund, i.e., asset-backed facilities). Such borrowing (including debt resulting from asset-backed facilities) subjects Limited Partners to certain risks and costs. For example, because amounts borrowed under a subscription line typically are secured by pledges of the General Partner's right to call capital from the Limited Partners, Limited Partners may be obligated to contribute capital directly to the Fund's lenders



and/or on an accelerated basis if the Fund fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder. Moreover, any Limited Partner claim against the Fund would likely be subordinate to the Fund's obligations to a subscription line's creditors.

With respect to any asset-backed facility entered into by the Fund (or an affiliate thereof), a decrease in the market value of the Fund's investments would increase the effective amount of leverage and could result in the possibility of a violation of certain financial covenants pursuant to which the Fund must either repay the borrowed funds to the lender, which could, subject to any limitations set forth in the Partnership Agreement, require investors to make additional capital contributions in respect of such borrowings, or suffer foreclosure or forced liquidation of the pledged assets. Liquidation of the Fund's investments at an inopportune time in order to satisfy such financial covenants could adversely impact the performance of the Fund and could, if the value of its investments had declined significantly, cause the Fund to lose all or a substantial amount of its capital. Moreover, if additional capital contributions were required to satisfy such financial covenants, this would effectively reduce the amount of capital available for other investments and could adversely affect the diversification of the Fund's portfolio. In the event of a sudden, precipitous drop in the value of the Fund's assets, the Fund might not be able to dispose of assets quickly enough to pay off its debt resulting in a foreclosure or other total loss of some or all of the pledged assets. Related risks are sensitive to the nature of a Fund's underlying portfolio investments, concentration, expected volatility and other factors. For example, because the Fund's portfolio investments could include publicly traded securities, the value of such investments can be more volatile in times of market disruptions or other unpredictable events, which has the effect of potentially magnifying these risks.

In addition, Fund-level borrowing will result in additional expenses that will be borne by Limited Partners. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a subscription line, an upfront fee for establishing a subscription line and other one-time and recurring fees and/or expenses, including legal fees relating to the establishment, structuring and negotiation of the terms of the borrowing facility, as well as expenses relating to maintaining, renegotiating, amending or terminating the facility. Because a subscription line's interest rate is typically based in part on the creditworthiness of the Limited Partners and the terms of the Partnership Agreement, it may be higher than the interest rate a Limited Partner could obtain individually.

To the extent a particular Limited Partner's cost of capital is lower than the Fund's cost of borrowing, Fund-level borrowing can negatively impact a Limited Partner's overall individual financial returns even if it increases the Fund's reported net returns. Calculations of performance in respect of the Fund as used in marketing and reported to Limited Partners from time to time are generally based on the payment date of capital contributions received from Limited Partners and not the date of an investment by the Fund. Conflicts of interest have the potential to arise in that the use of Fund-level borrowing typically delays the need for limited partners to make contributions to the Fund, which generally enhances the Fund's internal rate of return (and potentially other return) calculations and thereby increases the likelihood that the preferred return component of the Fund's carried interest waterfall will be met, and generally benefits the marketing efforts of the General Partner and its affiliates.



Conflicts of interest also have the potential to arise to the extent that a subscription line is used to make an investment that is later sold in part to co-investors (including one or more co-investing Capitol Meridian funds), as to the extent co-investors are not required to act as guarantors under the relevant facility or pay related costs or expenses. Co-investors nevertheless stand to receive the benefit of the use of the subscription line and neither the Fund nor investors generally will be compensated for providing the relevant guarantee(s) or being subject to the related costs, expenses and/or liabilities.

A credit agreement typically contains other terms that restrict the activities of the Fund and the Limited Partners or impose additional obligations on them. For example, a subscription line secured by the capital commitments of the Fund's Limited Partners often imposes restrictions on the General Partner's ability to consent to the direct or indirect transfer of a Limited Partner's interest in the Fund or imposes concentration or other limits on the Fund's investments (and/or financial or other covenants that could affect the implementation of the Fund's investment strategy). In addition, in order to secure a subscription line, the General Partner is often required to request certain financial information and other documentation from Limited Partners to share with lenders. The General Partner will have significant discretion in negotiating the terms of any subscription line and may agree to terms that are not the most favorable to one or more Limited Partners.

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows the General Partner to fund investments and pay expenses without calling capital, potentially for extended periods of time. To the extent provided in the Partnership Agreement, any such borrowing may remain outstanding for such time as the General Partner deems appropriate, potentially including through disposition of such investment, and the interest expense and other costs of any such borrowings will be Fund expenses that may decrease net returns of the Fund. If the Fund chooses to draw on this line of credit, investors should note that such activity may give rise to debt-financed UBTI within the meaning of Section 514 of the Code if such indebtedness remains outstanding for a prolonged period of time. Calling a large amount of capital at once to repay the then current amount outstanding under a subscription line could cause short-term liquidity concerns for Limited Partners that would not arise had the General Partner called smaller amounts of capital incrementally over time as needed by the Fund. This risk would be heightened for a Limited Partner with commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the Limited Partner to meet the accumulated, larger capital calls at the same time. The General Partner reserves the right to use Fund-level borrowing to pay Management Fees and to reimburse Capitol Meridian for expenses incurred on behalf of the Fund. The Fund is also permitted to utilize Fund-level borrowing when the General Partner expects to repay the amount outstanding through means other than Limited Partner capital, including as a bridge for equity or debt capital with respect to an investment. If the Fund ultimately is unable to repay the borrowings through those other means, Limited Partners would end up with increased exposure to the underlying investment, which could result in greater losses.

*LIBOR and Other Benchmark Interest Rates.* To the extent the Fund's investments (whether made, acquired or otherwise) or indebtedness is subject to a variable interest rate based on (or calculated with reference to) the London Interbank Offered Rate ("**LIBOR**"), the Secured Overnight Financing Rate ("**SOFR**"), the Euro Interbank Offered Rate, the Canadian Dollar



Offered Rate or any other offered rate, benchmark or index (collectively, “Benchmark Rates”), the Fund will be subject to certain material risks, some of which are described below.

Certain Benchmark Rates have historically been, may presently be, or may in the future become, the subject of manipulation, regulatory scrutiny or reform, phase-out, permanent discontinuation, replacement, tremendous volatility, and other change(s) which may have resulted or may result in: (a) any such Benchmark Rate being artificially lower or higher than it otherwise would have been; (b) changes to the applicable calculation methodology; or (c) market uncertainty as to the current or future status of any such Benchmark Rate. To the extent any investment bears interest based on (or calculated with reference to) a Benchmark Rate, any such investment may not appropriately embed a return that is commensurate with its risk exposure. Where debt instruments rely on a Benchmark Rate set to phase-out during the life of such debt instrument, it is possible that substitution of such phased-out rate (upon its phase-out) with another rate or Benchmark Rate could result in realization of income for U.S. federal income tax purposes with respect to the issuer of such debt instrument.

The UK Financial Conduct Authority (the “FCA”) has phased out LIBOR as of the end of 2021. There is currently no consensus on which Benchmark Rate(s) will replace LIBOR after it is phased-out and there can be no assurance that any such replacement Benchmark Rate(s) will attain market acceptance. Any transition away from LIBOR to one or more alternative Benchmark Rates is complex and could have a material adverse effect on the Fund’s business, financial condition and results of operations. In addition, on March 25, 2020, the FCA stated that although the central assumption that advisers cannot rely on LIBOR being published after the end of 2021 has not changed, the outbreak of COVID-19 has impacted the timing of many advisers’ transition planning, and the FCA will continue to assess the impact of the COVID-19 outbreak on transition timelines and update the marketplace as soon as possible. At this time, it is not possible to predict the effect of any such changes, any establishment of alternative reference rates or other reforms to LIBOR that may be enacted in the United States, United Kingdom or elsewhere or, whether the COVID-19 outbreak will have further effect on LIBOR transition plans.

**Failure of Banks.** On March 10, 2023, the Federal Deposit Insurance Corporation (“FDIC”) and the California Department of Financial Protection and Innovation assumed control of Silicon Valley Bank (“SVB”) following SVB’s financial losses and massive deposit withdrawals. On March 12, 2023, Signature Bank, New York, NY (“Signature Bank”) was closed by the Department of Financial Services of New York and subsequently, the FDIC was named receiver. On March 20, 2023, the FDIC entered into a purchase and assumption agreement for substantially all deposits and certain loan portfolios of Signature Bank by Flagstar Bank, National Association (N.A.), a wholly owned subsidiary of New York Community Bancorp, Inc. These bank failures have caused turmoil in the financial markets and other similar bank failures may increase market volatility and decrease consumer and business confidence. In addition, certain issuers and obligors in which the Funds invest in may have banking relationships with SVB, Signature Bank and other failed banks and may suffer material losses that could seriously impair their business operations. Bank failures and ripple effect of such failures on the Fund’s investments may adversely affect the value of investments held by the Fund and/or the ability of the Fund to dispose of investments at attractive valuations.



*No Market for Interests; Restrictions on Transfer; No Right of Withdrawal.* Limited Partner interests in the Fund may not generally be transferred, sold, assigned, pledged or otherwise encumbered without the prior written consent of the General Partner, which may be withheld pursuant to the Partnership Agreement, and the volume of transfers permitted in any calendar year may be restricted in order to comply with certain safe harbors under the tax regulations promulgated under the Code. Voluntary withdrawals from the Fund will not be permitted except in very limited circumstances generally involving situations where retaining an interest in the Fund would violate certain laws or regulations. In addition, interests in the Fund are not redeemable. There will be no public market for interests in the Fund, and none is expected to develop. Interests in the Fund have not been registered under the Securities Act, the securities laws of any U.S. state or the securities laws of any non-U.S. jurisdiction and therefore cannot be resold unless they are subsequently registered under the Securities Act and other applicable securities laws, or unless an exemption from registration is available. It is not contemplated that registration of the interests in the Fund will ever be effected. Limited Partners may not be able to liquidate their investments prior to the end of the Fund's term and must be prepared to bear the risks of an investment in the Fund for an indefinite period of time.

*Investments Longer than Term.* The Fund may make investments that cannot be advantageously disposed of prior to the date the Fund is dissolved, either by expiration of the Fund's term or otherwise, or the Fund's term may be extended to facilitate the wind-down of the Fund. Although the General Partner generally expects that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, the General Partner has a limited ability to extend the term of the Fund, and the Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. To the extent that such investments are held in trust, the trust may incur operating and formation expenses. In addition, there can be no assurances with respect to the timeframe in which the winding-up and the final distribution of proceeds to the Limited Partners will occur.

*Distributions in-Kind.* Although, prior to the termination of the Fund, the Fund intends to make distributions in cash or marketable securities, it is possible that under certain circumstances (including the winding-up of the Fund), distributions of investments for which there is no readily available public market or which may be subject to substantial restrictions on sale or transfer will be made in-kind. It may be difficult for Limited Partners to liquidate the investments received at a price or within a time period that is determined thereby to be ideal, and significant administrative burden may be involved. After a distribution of investments is made, the recipients (including Management Company personnel) may decide to liquidate such investments within a short period of time, which could have an adverse impact on the price of such investments. Limited Partners in receipt of a distributed investment will have no guidance from the Fund or the General Partner with respect to disposition of such investment (including timing of such disposition). The price at which such investments may be sold by such Limited Partners may be lower than the value of such investments determined pursuant to the Partnership Agreement, including the value used to determine the amount of carried interest accruing to the General Partner with respect to such investment. In addition, the direct holding of certain investments may subject the holder to suit or taxes in jurisdictions in which such investments are located.

*Reliance on the General Partner and Portfolio Company Management.* Control over the operation of the Fund, including decisions with respect to structuring, negotiating and purchasing,



financing and eventually divesting investments on behalf of the Fund, will be vested with the General Partner. Consequently, the Fund's future profitability and investment performance will depend largely upon the business and investment acumen of the Founders. While the Founders have previous experience making and managing investments similar to those contemplated by the Fund, they have no experience managing and investing a committed pool of funds. The loss or reduction of service of the Founders would have an adverse effect on the Fund's ability to realize its investment objectives. In addition, the Founders may in the future manage or advise other investments or investment funds besides the Fund and, in such event, the Founders will likely need to devote substantial amounts of their time to the investment activities of such other investments or funds, which will pose conflicts of interest in the allocation of the time of the Founders. Limited Partners generally have no right or power to take part in the management of the Fund, and as a result, the investment performance of the Fund will depend on the actions of the General Partner. Furthermore, certain changes in the General Partner or circumstances relating to the General Partner may have an adverse effect on the Fund or one or more of its investments, including potential acceleration of debt facilities.

The success of many of the Fund's portfolio companies is heavily dependent on the management of such companies. Each portfolio company's day-to-day operations will be the responsibility of such company's management team. Additionally, the General Partner will generally establish the capital structure of companies in which the Fund invests on the basis of financial projections for such companies, which will contain significant judgment and input from the portfolio company management team. Although the General Partner will be responsible for monitoring the performance of each portfolio company investment and the Fund generally intends to invest in companies with strong management or recruit strong management to such companies, there can be no assurance that the existing management team, or any successor, will be able or willing to successfully operate a company in accordance with the Fund's objectives. Portfolio companies may need to attract, retain and develop executives and members of their management teams. The market for executive talent can be extremely competitive. There can be no assurance that the management team of a portfolio company on the date a portfolio company investment is made will remain the same or continue to be affiliated with the company throughout the period the portfolio company is held by the Fund. There can be no assurance that portfolio companies will be able to attract, develop, integrate and retain suitable members of its management team and, as a result, the Fund could be adversely affected.

*Projections.* Projected operating results of a company in which the Fund invests normally will be based primarily on financial projections prepared by such company's management, with adjustments to such projections made by the General Partner in its discretion. In all cases, projections are only estimates of future results that are based upon information received from the company and third parties and assumptions made at the time the projections are developed, all of which the General Partner deems to be reasonable but may prove incorrect. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of other unforeseen events could impair the ability of a portfolio company to realize projected values. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.



*Risks in Effecting Operating Improvements.* In many cases, the success of the Fund's investment strategy will depend, in part, on the ability of the Fund to effect improvements in the operations of a portfolio company. The activity of identifying and implementing operating improvements at portfolio companies entails a high degree of uncertainty. In addition, executing operational improvements will divert the attention of key personnel and disrupt normal business. There can be no assurance that the Fund will be able to successfully identify and implement such improvements or that any such successfully implemented improvements will result in a return on invested capital with respect to such portfolio company.

*Labor Relations.* Certain portfolio companies, in particular in the manufacturing sector, may have unionized work forces or employees who are covered by a collective bargaining agreement, which could subject any such portfolio company's activities and labor relations matters to complex laws and regulations relating thereto. Moreover, a portfolio company's operations and profitability could suffer if it experiences labor relations problems. Upon the expiration of any of any such portfolio company's collective bargaining agreements, it may be unable to negotiate new collective bargaining agreements on terms favorable to it, and its business operations at one or more of its facilities may be interrupted as a result of labor disputes or difficulties and delays in the process of renegotiating its collective bargaining agreements. A work stoppage at one or more of any such portfolio company's facilities could have a material adverse effect on its business, results of operations and financial condition. Any such problems additionally may bring scrutiny and attention to the Fund itself, which could adversely affect the Fund's ability to successfully implement its investment strategy.

*Risks Relating to Due Diligence of and Conduct at Portfolio Companies; Expedited Transactions.* Before making investments, the General Partner expects to typically conduct such due diligence as it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, technical, environmental, regulatory and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties are expected to be involved in the due diligence process to varying degrees depending on the type of investment and the facts and circumstances related thereto and the General Partner may rely on the advice received from such third parties. Investment analyses and decisions by the General Partner will often be undertaken on an expedited basis in order for the Fund to take advantage of investment opportunities or consummate investments. In such cases, the information available to the General Partner at the time of an investment decision may be limited, and the General Partner may not have access to the detailed information necessary for a full evaluation of the investment opportunity. The due diligence investigation carried out with respect to any investment opportunity will not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in an investment being successful or even ensure a return on invested capital. Further, the General Partner's or its service providers' ability to conduct due diligence likely will be limited during COVID-19 or similar events, which would increase the foregoing risks. While the General Partner intends to follow the due diligence process described in the Memorandum, the General Partner reserves the right to modify such due diligence based on the facts and circumstances of each investment, and potentially will conduct less due diligence than otherwise indicated.



*Tax Liability Considerations.* The Fund may take positions with respect to certain tax issues that depend on legal and other interpretive conclusions. Should any such positions be successfully challenged by a taxing authority, a Limited Partner might be found to have a different tax liability for that year than that reported on its tax returns. In addition, a taxing authority's review of the Fund may result in a review of the returns of some or all of the Limited Partners, which examination could result in adjustments to the tax consequences initially reported by the Fund and affect items not related to a Limited Partner's investment in the Fund. If such adjustments result in an increase in tax liability for any year, the Fund or one or more of the Limited Partners may also be liable for interest and penalties with respect to the amount due. The legal and accounting costs incurred in connection with any taxing authority's review of the Fund's tax returns will be borne by the Fund. The cost of any review of a Limited Partner's tax return will be borne solely by the Limited Partner. The taxation of partnerships and partners is complex.

*Legal, Tax and Regulatory Risks.* Legal, tax and regulatory changes could occur during the term of the Fund that may adversely affect the Fund, its investments or the Limited Partners. For example, from time to time the market for private equity transactions has been adversely affected by a decrease in the availability of senior and subordinated financing for transactions, in part in response to regulatory pressures on providers of financing to reduce or eliminate their exposure to such transactions. The Fund expects to invest in investments or portfolio companies that operate in a highly regulated environment and are subject to extensive legal and regulatory restrictions and limitations and to supervision, examination and enforcement by regulatory authorities. New and existing regulations and burdens of regulatory compliance may directly impact the business and results of the operations of, or otherwise have a material adverse effect on, investments or portfolio companies that are subject to regulation. Failure to comply with any of these laws, rules and regulations, some of which are subject to interpretation and may be subject to change, could result in a variety of adverse consequences, including civil penalties and fines, which may have material adverse effects. Furthermore, disruptions in government, such as shutdowns of the U.S. federal government, have resulted in, and may in the future result in, delays or the inability of the Management Company, the General Partner, the Fund or their affiliates to obtain regulatory and other approvals in a timely manner.

*Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes.* The Fund's ability to achieve its investment objectives, as well as the ability of the Fund to conduct its operations, is based on laws and regulations which are subject to change through legislative, judicial, or administrative action. Future legislative, judicial, or administrative action could adversely affect the Fund's ability to achieve its investment objectives, as well as the ability of the Fund to conduct its operations.

The growth of the private equity industry and its role in the overall economic landscape, as well as the increasing size and reach of private equity transactions, has prompted additional governmental and public attention to the industry and its practices. The outcome of any future U.S. federal election and changes in the control of the U.S. federal legislative and executive branches during the Fund's term could result in potential changes in laws and regulations affecting the private equity industry, which could negatively impact the operation and performance of the Fund and its investments, and require the General Partner and the Management Company to spend additional time and resources on regulatory compliance. In addition, as private fund advisers and other alternative asset managers become more influential participants in the U.S. and global



financial markets and economy generally, the private fund industry has been subject to criticism by some politicians, regulators, and market commentators. The negative perception of the private fund industry in certain countries could make it harder for the Fund to successfully bid for and complete investments.

Additionally, the Fund may be required to incur additional costs and expenses in implementing structural changes in the conduct of the Fund's business, including to establish greater presence in certain jurisdictions in which the Fund invests or proposes to invest, and the Fund may also become directly or indirectly subject to additional tax liabilities (for example, through restrictions on or denial of the deductibility of interest expenses against taxable profits). The foregoing may make it less attractive or impractical to continue to invest in one or more jurisdictions. Additionally, such additional scrutiny may divert the General Partner's time, attention and resources from portfolio management activities.

*Privacy, Data Protection and Information Security Compliance Risk.* The adoption, interpretation and application of consumer protection, data protection and/or privacy laws and regulations ("**Privacy Laws**") in the United States, Europe and elsewhere could significantly impact current and planned privacy and information security-related practices, the collection, use, sharing, retention, destruction and safeguarding of personal data and some of the Fund's current and planned business activities and, as such, could increase compliance costs for the General Partner, the Fund and/or its portfolio companies and require the dedication of additional time and resources to compliance for such entities. A failure to comply with such Privacy Laws could result in fines, sanctions or other penalties, which could materially and adversely affect the results of operations and overall business of the General Partner, the Fund and/or its portfolio companies, as well as have a negative impact on the reputation of the Fund and/or its portfolio companies.

As Privacy Laws are implemented, interpreted and applied, compliance costs for the General Partner, the Fund and/or its portfolio companies are likely to increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place.

For example, California has passed the California Consumer Privacy Act of 2018, which was recently amended, and the EU and UK have enacted the General Data Protection Regulation (EU 2016/679), each of which broadly impacts businesses that handle various types of personal data, potentially including private fund managers and their funds and investments. Such laws impose stringent legal and operational obligations on regulated businesses, as well as the potential for significant penalties.

Other jurisdictions, including the U.S. states, have proposed or are considering similar Privacy Laws, which if enacted could impose significant costs, potential liabilities and operational and legal obligations. Such Privacy Laws are expected to vary from jurisdiction to jurisdiction, thus increasing costs, operational and legal burdens, and the potential for significant liability for regulated entities, which could include the General Partner, the Fund and/or its portfolio companies.

*Alternative Investment Fund Managers Directive.* The European Union Alternative Investment Fund Managers Directive and the United Kingdom Alternative Investment Fund Managers Regulations 2013 (together, the "AIFMD") regulates the activities of certain private



fund managers undertaking fund management activities or marketing fund interests to investors within the EEA and the UK.

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

*United Kingdom Exit from the European Union.* On March 29, 2017, the UK formally notified the European Council of its intention to leave the EU. The UK formally left the EU on January 31, 2020 at 11.00 pm after which it entered into the transition period, which ended on December 31, 2020. During the transition period, the majority of the existing EU rules applied in the UK. On 24 December 2020, the UK government and the EU Commission provisionally agreed a trade and cooperation agreement governing their future relationship, which has been ratified by the UK Parliament and the EU Parliament. Although the terms of the UK's future relationship with the EU have been agreed, the terms of the trade and cooperation agreement are silent on financial services, and there is still uncertainty as to the extent to which UK businesses will have access to the EU single market, and the extent to which EU business have access to the UK market. There is also a risk of significant disruption to trade between the UK and the EU, particularly in the initial period following the end of the transitional period and the implementation of the new trade arrangements. There can be no assurance that any renegotiated laws or regulations will not have an adverse impact on the Fund and its investments, including the ability of the Fund to achieve its investment objectives. The legal, political and economic uncertainty generally resulting from the UK's exit from the EU may adversely affect both EU and UK-based businesses. This uncertainty may also result in an economic slowdown and/or a deteriorating business environment in the UK and in one or more EU member states.

*Distressed Investments.* The Fund is authorized to invest in the securities and obligations, including debt obligations that are in covenant or payment default, of companies experiencing significant financial difficulties and material operating issues, including companies that may have been, are or will become involved in bankruptcy proceedings or other restructuring, recapitalization or liquidation processes. Investments in such companies involve a substantial degree of risk that is generally higher than the risk involved in investing in companies that are not in financial or operational distress. Given the heightened difficulty of the financial analysis required to evaluate distressed companies, there can be no assurance that the General Partner will



correctly evaluate the value of the assets of a distressed company securing its debt and other obligations or correctly project the prospects for the successful restructuring, recapitalization or liquidation of such company. It may take a number of years for the market price of distressed securities to reflect their intrinsic value. In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (e.g., due to failure to obtain requisite approvals), or will be delayed (e.g., until various liabilities, actual or contingent, have been satisfied). In the event that a portfolio company does become involved in bankruptcy proceedings or a restructuring, recapitalization or liquidation is required, the Fund may lose some or all of its investment or may be required to accept illiquid securities with rights that are materially different than the original securities in which the Fund invested.

*PIPE Investments.* The Fund is authorized opportunistically pursue private investments in public equities (“**PIPE**”) investments or private financing of public companies. PIPE investments may be purchased directly from a publicly traded company in a private placement transaction, typically at a discount to the market price of the company’s common stock. In a PIPE transaction, the Fund may bear the price risk from the time of pricing until the time of closing. The Fund will generally not be able to sell or distribute PIPE investments unless the securities are registered under applicable securities laws or an exemption from such registration is available. In addition, even after the securities are saleable, it may take a significant period of time for the Fund to sell or distribute PIPE securities in an orderly manner during which time profit could have otherwise been realized or loss avoided, and in some cases the Fund may be prohibited by contract or law from selling such public company securities for a period of time. In addition, the Fund’s sales of thinly traded securities could depress the market value of such securities. These circumstances or events could reduce the Fund’s profitability. Disposition of the Fund’s public company investments may result in distributions in-kind to Limited Partners.

*Sanctions Compliance Considerations.* Economic sanction laws in the United States and other jurisdictions may prohibit or otherwise restrict the General Partner, the Fund, its portfolio companies and their respective officers, directors and employees from engaging in transactions in or relating to certain countries and relating to certain individuals and entities. In the United States, the U.S. Department of the Treasury’s Office of Foreign Assets Control (“**OFAC**”) and U.S. Department of State administer and enforce laws, executive orders and regulations establishing U.S. economic and trade sanctions. Such sanctions prohibit, among other things, transactions with, and the provision of services to, certain foreign countries, territories, entities and individuals. These persons and entities include specially designated nationals and other persons and entities targeted by OFAC sanctions programs. The lists of OFAC restricted countries, territories, persons and entities, including the List of Specially Designated Nationals and Blocked Persons, as such list may be amended from time to time, can be found on the OFAC website at <http://www.treas.gov/ofac>. In addition, certain programs administered by OFAC prohibit dealing with individuals or entities in certain countries regardless of whether such individuals or entities appear on the lists maintained by OFAC. These types of sanctions and similar laws and regulations in non-U.S. jurisdictions may significantly restrict the Fund’s direct or indirect investment activities in certain countries. The economic sanctions and related laws of different jurisdictions in which the Fund makes investments also may conflict with one another, such that compliance with all applicable laws may be difficult. Failure by the General Partner, the Fund or any of the



Fund's portfolio companies to comply with OFAC or other relevant sanctions could have serious legal and reputational consequences, including civil and criminal penalties.

*Anti-Corruption & Anti-Boycott Considerations.* The U.S. Foreign Corrupt Practices Act ("FCPA"), the U.K. Bribery Act ("UKBA") and other anti-corruption and anti-bribery laws, as well as U.S. anti-boycott regulations may impact the General Partner, the Fund and the Fund's portfolio companies. The Fund may be adversely affected or miss out on opportunities because of the General Partner's unwillingness to participate in transactions that potentially violate such laws and regulations. Such laws and regulations may make it difficult in certain circumstances for the Fund to act successfully on investment opportunities or to obtain or retain business. In recent years, U.S. regulators have been increasingly focused on private equity sponsors' compliance with the FCPA. Any policies and procedures that may be adopted by the General Partner to comply with the FCPA or similar laws may not be effective in all instances to prevent violations. In addition, despite any policies that the General Partner may seek to implement at portfolio companies, portfolio companies or their affiliates may engage in activities that could result in FCPA violations. Any determination that the General Partner, the Fund, its portfolio companies or any of their respective officers, directors or employees has violated the FCPA, the UKBA or other applicable anti-corruption laws, anti-bribery laws, or U.S. anti-boycott regulations, could subject it to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation or a general loss of investor confidence, any one of which could adversely affect the Fund's business prospects or financial position, as well as the ability to achieve its investment objective or conduct its operations. The Fund will require that each Limited Partner represent and warrant its compliance with applicable anti-corruption and anti-bribery laws and regulations. The Fund and the General Partner shall have no liability whatsoever for any liabilities, costs, expenses, damages or losses (including but not limited to any direct, indirect or consequential losses, loss of profit, loss of revenue, loss of reputation and all interest, penalties and legal costs and all other professional costs and expenses) incurred by any Limited Partner as a result of actions taken as deemed necessary by the Fund or the General Partner for compliance with anti-corruption and anti-bribery laws and regulations or compliance with anti-boycott laws and regulations.

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



Over-Commitment. In order to facilitate the acquisition of a portfolio company or investment, the Fund may make or commit to make an investment in such company or investment with a view to selling a portion of such investment to co-investors or other persons prior to or within a brief period after the closing of the acquisition. In such event, the Fund will bear the risk that any or all of the excess portion of such investment may not be sold or may only be sold on unattractive terms and that, as a consequence, the Fund may bear the entire portion of any breakup fee or other fees, costs and expenses related to such investment, hold a larger than expected investment in such portfolio company or investment or may realize lower than expected returns from such investment.

Non-U.S. Operations. Certain of the Fund's portfolio companies may have substantial sales or operations outside of the United States, its territories, and possessions. Investments in such portfolio companies may involve certain factors not typically associated with investing in portfolio companies with purely U.S. sales or operations, including but not limited to risks relating to: (a) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various non-U.S. currencies (including risks associated with potentially rapid inflation), and costs associated with conversion from one currency into another; (b) the absence of uniform accounting, auditing, and financial reporting standards, practices and disclosure requirements comparable to those that apply to U.S.-based investments, and less or more government supervision and regulation; (c) certain economic, social and political risks, including potential exchange control regulations and restrictions on repatriation of capital, the risks of political, economic, governmental or social instability, and the possibility of expropriation or confiscatory taxation; (d) the possible imposition of non-U.S. taxes on income, gains and gross sales or other proceeds recognized with respect to such operations; (e) the application of complex U.S. and non-U.S. tax rules to cross-border operations; (f) possible non-U.S. tax return filing requirements for the Fund or the Partners; (g) differences in the legal and regulatory environment; (h) potential political hostility to investments by foreign or private fund investors; and (i) less publicly available information.

Hedging Arrangements; Related Regulations. The General Partner reserves the right (but is not obligated) to endeavor to manage the Fund's or any investment's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. The Fund may incur costs related to such hedging arrangements, which are permitted to be undertaken in exchange-traded or over-the-counter ("OTC") contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used.

In some cases, particularly in OTC contexts, hedging arrangements will subject the Fund to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose the Fund to additional liquidity risks if such contracts cannot be adequately settled.

Certain hedging arrangements may create for the General Partner or one of its affiliates an obligation to register with the U.S. Commodity Futures Trading Commission ("CFTC") or other



regulator or comply with an applicable exemption. Losses may result to the extent that the CFTC or other regulator imposes position limits or other regulatory requirements on such hedging arrangements, including under circumstances where the ability of a Fund or a portfolio company or investment to hedge its exposures becomes limited by such requirements.

*Significant Adverse Consequences for Default.* The Partnership Agreement provides for significant adverse consequences in the event a Limited Partner defaults on its Commitment or any other payment obligation. In addition to losing its right to potential distributions from the Fund, a defaulting Limited Partner may be forced to transfer its interest in the Fund for an amount that is less than the fair market value of such interest and that may be paid over a period of up to ten years, without interest. Whether and how to exercise the General Partner's remedies against a defaulting Limited Partner will be in the sole discretion of the General Partner, and the General Partner is authorized to require the non-defaulting Limited Partners to contribute capital to make up for the shortfall created by such defaulting Limited Partner.

*Impacts of Excuse or Exclusion.* A Limited Partner's participation in the Fund's investments could be limited by virtue of the General Partner's right to exclude a Limited Partner from, or a Limited Partner's right to be excused from, participating in certain of the Fund's investments as set forth in the Partnership Agreement, thereby increasing the participation of other Limited Partners. As a consequence of one or more Limited Partners being excused or excluded or other factors limiting their participation in investments, the aggregate returns realized by the participating Limited Partners could be adversely affected in a material manner by the unfavorable performance of even one investment by the Fund.

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

*Failure to Make Capital Contributions.* If a Limited Partner fails to pay when due installments of its Commitment to the Fund, and the contributions made by non-defaulting Limited Partners and borrowings by the Fund are inadequate to cover the defaulted amount, the Fund may be unable to pay its obligations when due. As a result, the Fund may be subjected to significant penalties that could materially adversely affect the returns to the Limited Partners (including non-defaulting Limited Partners).

*Transfer by General Partner.* To the extent the General Partner, its partners, the Founders or their respective affiliates commit to make a direct or indirect investment in or along-side the Fund, a participation in or a portion of such investment may thereafter be transferred to others, subject to any express limitations thereon in the Partnership Agreement.

*Public Company Holdings.* The Fund's investment portfolio is authorized to contain securities, debt and/or other instruments issued by publicly held companies. Such investments would likely subject the Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include greater volatility in the valuation of



such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Fund to dispose of such securities and debt at certain times, increased likelihood of shareholder litigation and insider trading allegations against such companies' executives and board members, including the Founders, and increased costs associated with each of the aforementioned risks.

*Recycling; Reinvestment.* During the Investment Period, the General Partner generally has the right to recall certain capital returned or distributed to the Partners. Accordingly, during the term of the Fund, a Partner could be required to make capital contributions in excess of its Commitment (with certain limitations), and to the extent such recalled or retained amounts are reinvested in investments, a Partner will remain subject to investment and other risks associated with such investments.

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

*Control Person Liability.* The Fund is expected to have controlling interests in a number of its investments. The exercise of control over an investment or company imposes additional risks of liability for environmental damage, product defects, pension and other fringe benefits, failure to supervise management, violation of laws and governmental regulations (including securities laws and regulations) and other types of liability, for which the limited liability generally afforded to investors may be ignored. In particular, if determined to be a direct owner or operator of any of the investment or portfolio company's facilities or operations, the Fund could face strict, joint and several liability under environmental laws for hazardous substance or contamination-related liabilities. If any such liabilities were to arise, the Fund could suffer significant losses. While the General Partner intends to manage the Fund in a manner that will minimize the exposure of these risks, the possibility of successful claims against the Fund or its affiliates cannot be precluded.

*Non controlling Investments.* The Fund is authorized to hold meaningful minority stakes in privately held companies or other investments and in some cases may have limited minority protection rights. In addition, during the process of making or holding exiting investments, the Fund at times may hold minority equity stakes of any size such as might occur if portfolio companies are taken public. In such instances, the Fund could have limited management and/or control rights with respect to the operation of such companies and dependent on the decisions of the portfolio investment and/or third-party investors. As is the case with minority holdings in general, such minority stakes will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes.



To the extent the Fund invests alongside third parties, such as institutional co-investors or private equity funds of other sponsors, or makes a minority investment, the relevant investments or portfolio companies may be controlled or influenced by persons who have economic or business interests, investment or operational goals, tax strategies or other considerations that differ from or are inconsistent with those of the Fund or the Limited Partners. Such third parties could be motivated to take action contrary to the Fund's business, tax or other interests, and the Fund may not be in a position to limit such contrary actions or otherwise protect the value of its investment. When taking non-control positions, the Fund generally will seek to negotiate certain negative controls and veto rights on major decisions, but there can be no assurance that the Fund will be able to control the timing or occurrence of an exit strategy for such portfolio companies or investments in a manner that maximizes or protects value. Where the Fund holds a minority stake, it may be more difficult for the Fund to liquidate its interests than it would be had the Fund owned a controlling interest in such company or investment. Even if the Fund has contractual rights to seek liquidity of the Fund's minority interests in such companies or investments, it may be very difficult to sell such interests or seek a sale of such company upon terms acceptable to the Fund, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals.

*Director Liability.* The General Partner expects that the Fund will often seek to obtain the right to appoint one or more representatives to the board of directors (or similar governing body) of the companies in which it invests (each, a "Board Representative"). In those instances where the Fund is not the sole shareholder of the applicable portfolio company, a Board Representative may have duties to persons other than the Fund. Serving on the board of directors (or similar governing body) of a portfolio company exposes the Board Representative, and ultimately the Fund, to potential liability. Not all portfolio companies may obtain insurance coverage with respect to such liability, and/or the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from the Fund's investment activities. Co-investors or co-investment vehicles may indirectly benefit from the General Partner's appointment of such directors, although co-investors (including their respective co-investment vehicle, even if managed by Capitol Meridian) will not typically bear the cost of liability insurance related to such appointment to the extent additional liability insurance is purchased by the Fund.

*Liability of Limited Partners.* The Main Fund and the Blocker Fund have been organized as Delaware limited partnerships. Generally, a Limited Partner should not be personally liable for the debts of the Fund except that, in the event the Fund is otherwise unable to meet its obligations, the Limited Partners may, under applicable law, be obligated to repay amounts previously received by them to the extent such amounts are deemed to have been wrongfully distributed to them, subject to certain limitations set forth in the Partnership Agreement. In addition, any Limited Partner's Commitment is susceptible to risk of loss as a result of any liability of the Fund irrespective of whether such liability is attributable to an investment to which such Partner did not contribute any capital.

*General Partner Removal; Cessation of New Investments; Early Dissolution of the Fund.* Pursuant to and in accordance with the terms of the Partnership Agreement, the General Partner may be removed and a replacement general partner of the Fund may be appointed (in which case,



Capitol Meridian will cease to be involved in the management and control of the business of the Fund), the ability of the Fund to make investments in new portfolio companies may be terminated earlier than anticipated and/or the Fund may be dissolved earlier than anticipated. In each case, the Fund's ability to consummate, manage and/or dispose of investments or otherwise achieve its investment objectives is likely to be negatively affected. In the case of early dissolution, the Fund may be required to dispose of investments at a disadvantageous time and/or make in-kind distributions, resulting in Limited Partners not having their capital invested and/or deployed in the manner originally contemplated.

*Limitation of Recourse and Indemnification.* The Partnership Agreement will limit the circumstances under which the General Partner and its affiliates will be held liable to the Fund. As a result, Limited Partners have a more limited right of action in certain cases than they would have in the absence of such provision. In addition, the Partnership Agreement will provide that the Fund will indemnify the General Partner and its affiliates for certain claims, losses, damages and expenses arising out of their activities on behalf of the Fund. Such indemnification obligations could materially impact the returns to Limited Partners.

*Litigation.* The transactional nature of the business of the Fund exposes the Fund, the General Partner and their respective affiliates generally to the risk of third-party litigation. In the ordinary course of its business, the General Partner, the Fund, its investments and their respective affiliates expect to be subject to litigation from time to time. Litigation and other proceedings may include, but are not limited to, actions relating to breach of fiduciary duty, appraisal, intellectual property, international trade, commercial arrangements, product liability, environmental, health and safety, joint venture agreements, anti-corruption, anti-money laundering, labor and employment or other harms resulting from the actions of individuals or entities outside of the General Partner's control. Under the Partnership Agreement, the Fund will generally be responsible for indemnifying the General Partner and certain of its employees, officers, and affiliates for costs they may incur with respect to such litigation not covered by insurance. Additional regulation could also increase the risks of third-party litigation. The outcome of such proceedings may materially adversely affect the value of the Fund and may continue without resolution for long periods of time. Any litigation could consume substantial amounts of the General Partner's and the Founders' time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

*Advisory Board.* The General Partner will appoint one or more unaffiliated Limited Partners and parallel investment entity investor representatives to the Advisory Board, which has the ability to review and waive compliance with certain provisions of the Partnership Agreement and potential conflicts of interest, and whose approval is required or may be requested in certain circumstances under the Partnership Agreement, including certain approvals or consents required by U.S. federal securities laws. Pursuant to the terms of the Partnership Agreement, all Limited Partners are bound by the determinations of the Advisory Board, regardless of whether a Limited Partner is represented by a member of the Advisory Board. The Partnership Agreement provides that to the fullest extent permitted by applicable law, none of the Advisory Board members will owe any fiduciary duties to the Fund or any other Partner. In addition, certain representatives of the Advisory Board are expected to have various business and other relationships with the Management Company and its partners, officers, directors, employees and affiliates. Any such relationships could influence their decisions as members of the Advisory Board. While the General



Partner will retain ultimate responsibility for all decisions relating to the operation and management of the Fund, the Advisory Board is empowered under the Partnership Agreement to make certain decisions affecting the Fund and Limited Partners' investments in the Fund. Interests of the Limited Partners represented on the Advisory Board will, from time to time, diverge significantly from other Limited Partners, and the decisions of the Advisory Board could reflect such diverging interests. To the extent members of the Advisory Board vote regarding conflicts or otherwise participate in matters involving a vote or action, such members may not vote solely in accordance with their interests related to the Fund and may vote in a manner that is beneficial to such members' other interests at the expense of the Fund. Additionally, it is expected that Limited Partners who designate representatives to participate on the Advisory Board may, by virtue of such participation, have more information about the Fund and portfolio investments in certain circumstances than other Limited Partners generally and may be disseminated information in advance of communication to other Limited Partners generally. Although such Limited Partners are subject to confidentiality obligations, there is no guarantee that such Limited Partners will not use information received as a member of the Advisory Board for purposes unrelated to, and potentially harmful to, the Fund. Additionally, because the Advisory Board is expected to be comprised of Limited Partners with large Commitments, the Advisory Board may not embody a representative sample of Limited Partners. Finally, Advisory Board members may choose to abstain from voting on certain issues, which means that certain votes and issues could be decided only by non-abstaining members and less than a complete group of Advisory Board members.

*Carried Interest Deferral.* The General Partner is authorized to electively defer (or waive) certain carried interest otherwise distributable to the General Partner as provided in the Partnership Agreement. Any such deferral, while generally accelerating the return of capital to the Limited Partners, could nonetheless have an adverse impact on the long-term retention of Management Company personnel who participate in the carried interest and more generally the alignment of those persons' interests with those of the Fund. In addition, such deferral of carried interest could positively impact Fund performance figures in some methods of calculation therefore also benefiting the Management Company. Additionally, certain tax rules applicable to individuals participating in the carried interest may create an incentive for the General Partner to cause the Fund to hold investments for at least three years, or to defer or waive the allocation and distribution of certain carried interest in exchange for an interest in future carried interest (as permitted under the Partnership Agreement), either of which could create conflicts of interest between the General Partner's desired tax treatment and the timing of investment realizations or character of income allocated to Limited Partners.

*General Tax Considerations.* An investment in the Fund involves complex U.S. and non-U.S. tax considerations that will differ for each investor depending on the investor's particular circumstances. The investment decisions of the General Partner and the Fund will be based primarily upon economic, not tax, considerations and could result, from time to time, in adverse tax consequences to some or all partners. There can be no assurance that the structure of the Fund or of any investment will be tax efficient for any particular investor. Prospective investors are urged to consult their own tax advisors with reference to their specific tax situations.

*U.S. Taxation of Carried Interest.* U.S. federal income tax law treats certain allocations of capital gains to service providers by partnerships such as the Fund as short-term capital gain (taxed at higher ordinary income rates) unless the partnership has held the asset which generated such



gain for more than three years. This could reduce the after-tax returns of individuals associated with the Fund, the Management Company or the General Partner who were or may in the future be granted direct or indirect interests in carried interest, which could make it more difficult for the General Partner and its affiliates to incentivize, attract and retain individuals to perform services for the Adviser and the Fund, including Operations Group members. These same issues could also apply to other officers, directors and employees of the Fund's portfolio companies, to the extent such persons receive a profits interest in such companies. Moreover, the tax treatment of carried interest could create an incentive for the General Partner to cause the Fund to hold investments for a longer period than would be the case if such three-year holding period requirement did not exist.

*Tax and Distributions; Phantom Income.* The General Partner intends that the Fund be treated as a partnership for U.S. federal income tax purposes. Partners will be required to report their share of the Fund's income, losses, deductions and credits (which may include the income and other tax items of any partnerships, limited liability companies or other flow-through entities in which the Fund invests) on their U.S. federal and state tax returns. For U.S. federal income tax purposes, any gain of the Fund generally will be allocated among the Partners in accordance with their respective interests in the Fund, regardless of whether corresponding distributions are made to the Partners. The Fund may make cash distributions to the General Partner in an amount sufficient to pay the General Partner's income taxes on income allocated to the General Partner with respect to its carried interest. Even if the Fund has income or gains for U.S. federal tax purposes, the Fund will not be obliged to make distributions (or may lack sufficient cash available for distributions) to enable the Partners to pay their federal, state and local taxes as a result of such income or gain allocations. Due to possible difference between the allocation of gain or income for any tax purposes and distribution of cash relating to gain or income (including possible timing differences), there can be no assurance that investors who are subject to tax on the allocated gain or income will receive distributions sufficient to satisfy their tax liabilities fully. Further, there can be no assurance that the Fund will have sufficient cash flow to enable it to make distributions in the amount necessary for payment of all tax liability resulting from that investor's ownership of an interest in the Fund.

*U.S. Federal Income Tax Liability Resulting from IRS Audits.* U.S. federal income taxes arising from a U.S. Internal Revenue Service ("IRS") audit will be paid by the Fund absent an election to the contrary. In addition, a "partnership representative" (and its designated individual) will have the power to act on behalf of the Fund and its Partners in all IRS audits and other proceedings involving the Fund's U.S. federal income, loss, deductions, and credits.

*Delayed Tax Information.* The Fund likely will not be able to provide final annual tax filing information to Limited Partners for any given fiscal year until after the initial tax filing deadlines for Limited Partners' tax returns. Accordingly, Limited Partners should plan to obtain extensions of the filing dates for their U.S. federal, state and local income tax returns. Each prospective investor should consult with its own adviser as to the advisability and tax consequences of an investment in the Fund.

*Taxation in Investee Jurisdictions.* The Fund or the Limited Partners may be subject to income or other tax in jurisdictions in which the Fund invests. Additionally, withholding taxes or branch taxes may be imposed on earnings of the Fund from portfolio companies in such jurisdiction. In addition, local tax incurred in a jurisdiction by the Fund or vehicles through which



it invests may not entitle Limited Partners to either (i) a credit against tax that may be owed in their respective home tax jurisdictions or (ii) a deduction against income taxable in such home jurisdictions by the Limited Partners, including the U.S. Finally, tax laws, regulations, tax treaties, as well as judicial and administrative interpretations thereof, may change, possibly with retroactive effect, in such a manner as to adversely impact a portfolio company's, the Fund's or a Limited Partner's tax treatment. Such developments could severely reduce the value of the Fund's investments, restrict the Fund's ability to realize income and capital gain on an efficient basis or eliminate the Fund's ability to make any investments in certain countries and certain of these developments may have a disproportionate effect on certain Partners depending on their tax status. In addition, investments or operations by the Fund or its affiliates in certain countries could require the Fund or the Partners to file tax returns, residency certifications or other information with the tax authorities in such countries.

*State and Local Taxes.* Limited Partners may be subject to state and local taxes in jurisdictions in which Fund investments directly or indirectly invest or operate or in which their portfolio companies operate. Limited Partners may also be required to file tax returns in such jurisdictions.

*Uncertain Economic, Social and Political Environment.* Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity or military conflicts, localized or global financial crises, political elections or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. Furthermore, such confidence may be adversely affected by local, regional or global health crises including but not limited to the rapid and pandemic spread of novel viruses commonly known as SARS, MERS and COVID-19. Such health crises could exacerbate political, social and economic risks previously mentioned and result in significant breakdowns, delays and other disruptions on a local, regional and global scale, which are likely to have adverse effects on the operating performance of affected portfolio companies or investments. A climate of uncertainty, including the spread of infections viruses or diseases, has the potential to reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn is likely to have an adverse effect on the economy generally and on the ability of the Fund and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses or other investments. This would likely slow the rate of future investments by the Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn would likely have an adverse effect upon the Fund's investments.

*General Economic and Market Conditions.* The private equity industry generally and the success of the Fund's investment activities specifically will be affected by general economic and market conditions, as well as by changes in laws, currency exchange controls, and national and international political and socioeconomic circumstances. Such factors are unpredictable and cannot be controlled by the General Partner. Moreover, governmental measures undertaken in response to such turmoil (whether regulatory or financial in nature) may have a negative effect on market conditions. General fluctuations in the market prices of securities and economic conditions



generally may reduce the availability of attractive investment opportunities for the Fund and may affect the Fund's ability to make investments. Instability in the securities markets and economic conditions generally (including a slow-down in economic growth or changes in interest rates or foreign exchange rates) may also increase the risks inherent in the Fund's investments and could have a negative impact on the performance or valuation of the Fund's investments. The Fund's performance can be affected by deterioration in the capital markets and by market events, including events similar to the credit crisis in the summer of 2007 or the downgrading of the credit rating of the U.S. in 2011 or the COVID-19 pandemic, which, among other things, can impact the public market comparable earnings multiples used to value privately held portfolio companies and investors' risk-free rate of return. Movements in foreign exchange rates may adversely affect the value of investments and the Fund's performance. Volatility and illiquidity in the financial sector may have an adverse effect on the ability of the Fund to sell or partially dispose of its investments. Such adverse effects may include the requirement of the Fund to pay break-up, termination or other fees and expenses in the event the Fund is not able to close a transaction (whether due to the lenders' unwillingness to provide previously committed financing or otherwise) or the inability of the Fund to dispose of investments at prices that the General Partner believes reflect the fair value of such investments. The impact of market and other economic events could also affect the Fund's ability to raise funding to support its investment objective.

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

Currently, there is an ongoing outbreak of COVID-19, which has caused a worldwide public health emergency, straining healthcare resources and resulting in extensive and growing numbers of infections, hospitalizations and deaths. In an effort to contain COVID-19, national, regional and local governments, as well as private businesses and other organizations, have taken severely restrictive measures, including instituting local and regional quarantines, restricting travel (including closing certain international borders), prohibiting public activity (including "stay-at-home" and similar orders), and ordering the closure of large numbers of offices, businesses, schools and other public venues. Businesses are also implementing similar voluntary and precautionary measures. As a result, COVID-19 contributed to both volatility and a severe decline in all financial markets. Among other things, these unprecedented developments have resulted in material reductions in demand across most categories of consumers and businesses, dislocation in the credit and capital markets, labor force and operational disruptions, slowing or complete idling of certain supply chains and manufacturing activity, steep increases in unemployment levels in the United States and several other countries, and strain and uncertainty for businesses and households, with a particularly acute impact on industries dependent on consumer spending, travel and public accessibility, such as retail and consumer goods, transportation, hospitality, tourism, sports and entertainment.

The ultimate impact of COVID-19 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, including a further global or regional



economic downturn (including a recession) of indeterminate duration and severity, are possible. As indicated above, the consumer industry is uniquely susceptible to economic contraction, economic uncertainty or the perception of weak or weakening economic conditions, public health emergencies, and the associated impact on discretionary consumer spending on consumer goods. A recession, economic slowdown or any other significant economic condition affecting consumers or corporations caused by COVID-19 or other public health emergencies is expected to cause a reduction in consumer spending, and have the potential to adversely impact the Fund's portfolio companies and the Fund's performance. 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 vaccines and governmental, legislative and financial and monetary policy interventions designed to mitigate the crisis and address its negative externalities; the extent of any related travel advisories and restrictions implemented (including any government-imposed quarantine measures and any voluntary and precautionary restrictions on travel or meetings) and the impact of such public health emergency on overall supply and demand, goods and services, investor and portfolio company liquidity, credit markets, consumer confidence, recession and fears of recession, availability of consumer credit, consumer debt levels, consumer perceptions of personal well-being and security and levels of economic activity, all of which are evolving rapidly and may have unpredictable results. Furthermore, COVID-19 is likely to impact a portfolio company's supply chain and its ability to manufacture and ship its products may be limited. Even if and as the spread of the COVID-19 virus itself is substantially contained and economies are able 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, particularly with respect to discretionary spending in industries such as consumer goods. The effects of COVID-19 are unpredictable and it is difficult to forecast their impact on the value and performance of the Fund's portfolio companies, the Fund's ability to source, manage and divest investments and the Fund's ability to achieve its investment objectives, all of which could result in significant losses to the Fund.

As indicated above, the extent of the impact on the Fund and its portfolio companies' operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors have the potential to 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 may 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 may also impair the ability of portfolio companies or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences. In addition, the operations of the Fund, its portfolio companies, the General Partner or the Management Company may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, restrictions on travel and movement, remote-working requirements and other factors related to a public health emergency such as COVID-19, 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.

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

*Adequacy and Availability of Insurance.* While the Fund is permitted to make investments where insurance and other risk management products (to the extent available on commercially reasonable terms) are utilized to mitigate the potential loss resulting from catastrophic events and other risks customarily covered by insurance, this may not always be practicable or feasible. Moreover, it will not be possible to insure against all such risks, and such insurance proceeds as may be derived in a timely manner from covered risks may be inadequate to completely or even partially cover a loss of revenues, an increase in operating and maintenance expenses or a replacement or rehabilitation. Certain losses of a catastrophic nature, such as those caused by wars, earthquakes, terrorist attacks or other similar events, may be either uninsurable or insurable at such high rates as to adversely impact the Fund's profitability.

*Environmental, Social and Governance ("ESG").* The Management Company is developing an ESG policy and intends to apply such policy to the Fund's investment activities. Depending on the investment, certain ESG factors, such as environmental risks and incidences, workplace safety and diversity, could have a material effect on the return and risk of the investment. The act of selecting and evaluating material ESG factors is subjective by nature, and there is no guarantee that the criteria utilized or judgment exercised by the General Partner or any judgment exercised by the General Partner will reflect the beliefs or values of any particular Limited Partner or align with the practices of other asset managers or with market trends. The Management Company's ESG policy may cause the Fund not to make an investment that it would have made or to make a management decision with respect to an investment differently than it would have made in the absence of such policy. Additionally, ESG factors are only some of the many factors the General Partner may consider in making an investment, and there is no guarantee that the General Partner will make investments in companies that create positive ESG impact or that consideration of ESG factors will enhance long-term Limited Partner value and financial returns. The Management Company cannot guarantee that its ESG policy will positively impact the financial or ESG performance of any individual investment or the Fund as a whole.

Further, ESG integration and responsible investing practices as a whole are evolving rapidly and there are different frameworks, methodologies, and tracking tools being implemented by other asset managers. Therefore, the Management Company's approach to ESG integration, including to the extent the Fund engages with portfolio companies on ESG-related practices and potential enhancements thereto, may not align with the approach used by other asset managers or preferred



by prospective investors or with market trends. Successful engagement efforts on the part of the General Partner will depend on the General Partner's skill in properly identifying and analyzing material ESG and other factors and their value, and there can be no assurance that the strategy or techniques employed will be successful. In addition, the Management Company's ESG programs and policies may change over time. It is possible that market dynamics or other factors will make it impractical, inadvisable or impossible for the Management Company to adhere to all elements of the General Partner's investment strategy, including ESG considerations, whether with respect to one or more individual investments or to the Fund's portfolio generally. Similarly, in evaluating a company, the General Partner often depends upon information and data provided by the company or obtained via third-party reporting or advisors, which may be incomplete or inaccurate and could cause the General Partner to incorrectly assess the company's ESG practices and/or related risks and opportunities.

Finally, there is also growing regulatory interest, particularly in the U.S., UK, and EU (which may be looked to as models in growth markets), in improving transparency around how asset managers define and measure ESG performance, in order to allow investors to validate and better understand sustainability claims. The Fund's ESG program could become subject to additional regulation in the future, and the Fund cannot guarantee that its current approach will meet future regulatory requirements. The Management Company could also become subject to additional regulation in the future, which could result in significant costs, potential liabilities and operational and legal obligations.

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

*Possibility of Fraud or Other Misconduct of Employees and Service Providers.* Misconduct by (a) Capitol Meridian employees, (b) portfolio company directors, officers or employees, and (c) service providers to the foregoing or their respective affiliates could undermine the due diligence efforts of the Fund or the General Partner and cause significant losses to the Fund. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by the Fund, the improper use or disclosure of confidential or material non-public information, which could result in litigation or serious financial harm, including limiting the Fund's business prospects or future marketing activities, and non-compliance with applicable laws or regulations (and the concealing of any of the foregoing). Such activities could result in reputational damage, litigation, business disruption, market or industry segment volatility or financial losses to the Fund. Capitol Meridian has controls and procedures through which it seeks to minimize the risk of such misconduct occurring; however, no assurances can be given that such misconduct will be able to be identified or prevented.



Strategic Alliances; Third Party Co-Investment. The Fund reserves the right to co-invest through partnerships, joint ventures or other entities with one or more third parties as a co-venturer or partner, including with the seller (or an affiliate thereof) of certain investments (including property related to such investments), a person involved in the selling or acquisition of the investment, an investor in the Fund (or other vehicle managed by Capitol Meridian) or other third parties, including strategic partners. Such investments involve risks not present in investments where a third party is not involved, including the possibility that: (a) the Fund and such co-venturer may reach an impasse on a major decision that requires the approval of both parties; (b) a co-venturer or partner of the Fund may at any time have economic or business interests or goals that are inconsistent with those of the Fund; (c) the co-venturer or partner may encounter liquidity or insolvency issues or may become bankrupt; (d) the co-venturer or partner may be in a position to take action contrary to the Fund's investment objective or narrow the array of potential exit strategies for the Fund; (e) the co-venturer or partner may take actions that subject the property to liabilities in excess of, or other than, those contemplated; or (f) the co-venturer may cause the investment to be reviewable by CFIUS (as defined below) or another U.S. or other national security investment clearance regulator; in certain circumstances the Fund may be liable for actions of its co-venturers or partners. The co-venturer or partner may be a joint venture partner or interest holder in another joint venture or other vehicle in which Capitol Meridian or its affiliates has an interest or otherwise controls.

Moreover, the Management Company reserves the right to receive fees or carried interest associated with capital invested by a co-venturer or partner relating to investments in which the Fund participates and such amounts will not be shared with the Fund or offset or otherwise reduce the Management Fee. This may be in connection with a joint venture in which the Fund participates or other similar arrangements with respect to assets or other interests retained by a seller or other commercial counterparty with respect to which the Management Company or counterparty performs services.

In addition, the Fund reserves the right to co-invest with non-affiliated co-investors or partners whose ability to influence the affairs of the investments in which the Fund invests may be significant, and even greater than that of the Fund and as such, the Fund may be required to rely upon the abilities and management expertise of such co-venturer or partner. It may also be more difficult for the Fund to sell its interest in any joint venture, partnership or entity with other owners than to sell its interest in other types of investments (and any such investment may be subject to a buy-sell right). The Fund in certain circumstances is expected to grant co-venturers or partners approval rights with respect to major decisions concerning the management and disposition of the investment, which would increase the risk of deadlocks or unanticipated exits from an investment. A deadlock could delay the execution of the business plan for the investment or require the Fund to engage in a buy-sell of the venture with the co-venturer or partner or conduct the forced sale of such investment or require alternative dispute resolution in order to resolve such deadlock. As a result of these risks, there can be no assurance that the Fund will be able to fully realize its expected return on any such investment. Further, to the extent that the Fund offers any co-investment opportunity to any Limited Partners or third parties, some or all of the risks described above have the potential to apply to such co-investments.

National Security Investment Clearance. In some cases, investments by the Fund involving the acquisition of or investment in a U.S. business (including a U.S. subsidiary of a company



domiciled outside of the U.S.) may be subject to review and approval by the Committee on Foreign Investment in the United States (“CFIUS”). In the event that CFIUS reviews one or more investments, there can be no assurances that the Fund will be able to maintain or proceed with such investments on acceptable terms. Additionally, CFIUS has authority to seek to impose limitations on one or more such investments that may prevent the Fund from maintaining or pursuing investment opportunities that the Fund otherwise would have maintained or pursued, or syndicating interests to foreign persons, which could adversely affect the performance of the Fund’s investment in such investments and thus the performance of the Fund. Legislation to reform CFIUS (the Foreign Investment Risk Review Modernization Act (“**FIRREA**”)) was signed into law by the U.S. President on August 13, 2018 and most implementing regulations became effective in February 2020. Among other things, FIRREA expands the scope of CFIUS’ jurisdiction to cover more types of transactions and empowers CFIUS to scrutinize more closely investments in U.S. “sensitive personal data,” “critical infrastructure” and “critical technology” companies, including investments involving foreign limited partners or co-investors that may be deemed “non-passive.” Moreover, as of November 2018, certain transactions involving foreign persons and U.S. “critical technology” companies are subject to mandatory pre-closing notification requirements, and monetary penalties may attach to a party’s failure to file such a notification. Certain of the limited partners of the Fund are expected to be non-U.S. investors, and in the aggregate, could comprise a substantial portion of the Fund’s aggregate commitments, which may increase the risks of such restrictions, limitations, and notification obligations being imposed. Any review and approval of a Fund investment by CFIUS may have outsized impacts on transaction certainty, timing, feasibility, and cost, among other things. Failure to notify CFIUS of a transaction where such notification was required or otherwise warranted based on the national security considerations exposes such portfolio investment and/or the Fund to legal penalties, costs, and/or other adverse reputational and financial effects, thus potentially diminishing the value of such investments by the Fund. In the event that CFIUS reviews one or more of the Fund’s investments, CFIUS may recommend that the President block transactions, or CFIUS may impose conditions, limitations, or restrictions on transactions, certain of which may materially and adversely affect the Fund’s ability to execute its investment strategy. In addition, CFIUS may seek to impose limitations, conditions, or restrictions on, or prohibit, one or more such portfolio investments that may prevent the Fund from maintaining or pursuing investment opportunities that the Fund otherwise would have maintained or pursued, which could adversely affect the performance of the Fund’s investments and thus the performance of the Fund. As discussed above, CFIUS reform legislation and regulations have increased the number of transactions that are subject to the jurisdiction of CFIUS, potentially affecting the Fund in light of the anticipated substantial commitments of non-U.S. limited partners. These and any future legislative and regulatory changes, including changes to agency practice may also negatively impact the ability of the Fund to realize value from certain investments, including by limiting exit opportunities or causing the Fund to favor buyers that it believes are less likely to require CFIUS review, even in circumstances where other buyers may offer better terms or more consideration.

While the General Partner may take steps (including, but not limited to, placing limitations on Limited Partners’ rights) to help ensure that Fund investments are not within the jurisdiction of CFIUS or to improve the Fund’s regulatory profile to help obtain approval of CFIUS, there can be no assurance that any restrictions implemented on any such Limited Partner or any group of Limited Partners will allow the Fund to maintain, or proceed with, any investment, that the Fund’s investments will be exempt from CFIUS requirements, or that CFIUS will not seek to ask questions



about a transaction or will approve a particular transaction. Additionally, the Fund may invest in companies that are, or may become, subject to CFIUS requirements based on pre-existing foreign ownership and control; in such cases, CFIUS requirements may adversely impact a portfolio company's ability to obtain or retain business or otherwise make it more difficult for the Fund to realize a profit from an investment. Moreover, other countries continue to strengthen their own national security investment clearance regimes (including with respect to technology, infrastructure, and data-related transactions), and the Fund's investments outside of the U.S. may also face delays, limitations or restrictions as a result of notifications made under or compliance with these legal regimes. Heightened scrutiny of foreign direct investment worldwide may make it more difficult for the Fund to identify suitable buyers for investments upon exit and may constrain the universe of exit opportunities for an investment in a portfolio company.

*Unfunded Pension Liabilities of Portfolio Companies.* A court decision found that, in certain circumstances, an investment fund could be treated as a "trade or business" for purposes of determining pension liability under ERISA. Therefore, where an investment fund owns 80% or more (or possibly, under certain circumstances, less than 80%) of a portfolio company, such fund (and any other 80%-owned portfolio companies of such fund) might be found liable for certain pension liabilities of such a portfolio company to the extent the portfolio company is unable to satisfy such liabilities. The Fund may, from time to time, invest in a portfolio company that has unfunded pension fund liabilities, including structuring the investment in a manner where the Fund may own an 80% or greater interest in such a portfolio company. If the Fund (or other 80%-owned portfolio companies of the Fund) were deemed to be liable for such pension liabilities, this could have a material adverse effect on the operations of the Fund and the companies in which the Fund invests. This discussion is based on current court decisions, statute and regulations regarding control group liability under ERISA, as in effect as of the date of this Memorandum, which could change in the future as the case law and guidance develops.

*Valuation of Assets.* There is not expected to be an actively traded market for most of the securities owned by the Fund. When estimating fair value, the General Partner will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities ultimately are sold. Valuations are only estimates of future results that are based upon assumptions made at the time that the valuations are developed. General economic, political, regulatory and market conditions and the actual operations of the investments, which are not predictable, can have a material impact on the reliability and accuracy of such valuations. Moreover, the exercise of discretion in valuation by the General Partner, subject to any limitations thereon provided in the Partnership Agreement, will give rise to conflicts of interest, including in connection with determining the amount and timing of distributions of carried interest and the calculation of Management Fees. There can be no assurance that valuation decisions of the General Partner with respect to an investment will represent the value realized by the Fund on the eventual disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation.



Contingent Liabilities Upon Disposition. In connection with the disposition of an investment, the Fund or the General Partner may be required to make (or be responsible for another person's or entity's breach of) representations and warranties (e.g., about the business and financial affairs of the applicable investment, the condition of its assets and the extent of its liabilities) in each case generally in the nature of representations and warranties typically made in connection with the sale of similar businesses, and may be responsible for the content of disclosure documents under applicable securities laws. The Fund or the General Partner may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents are inaccurate. These arrangements may result in contingent liabilities, which would be borne by the Fund and, ultimately, its investors. In such a situation, Limited Partners may be required to return distributions received by them to pay such indemnification obligations, subject to certain limitations provided in the Partnership Agreement. Furthermore, under the Delaware Revised Uniform Limited Partnership Act, each Limited Partner that receives a distribution in violation of such Act will, under certain circumstances, be obligated to recontribute such distribution to the Fund.

Cybersecurity Risks and Identity Theft. Cyber-attacks and other malicious Internet-based activity continue to increase in frequency and magnitude. Techniques used to sabotage, or to obtain unauthorized access to, systems or networks change frequently and generally are not recognized until launched against a target. The information and technology systems of the General Partner, the Management Company, the Fund and its portfolio companies and their respective service providers have the potential to be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes.

The General Partner, the Management Company, the Fund, the Fund's portfolio companies, the Fund's service providers, and other market participants increasingly depend on information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the Fund and the Limited Partners, despite efforts to adopt technologies, processes, and practices intended to mitigate these risks and protect the security of their computer systems, software, networks, and other technology assets, as well as the confidentiality, integrity, and availability of information belonging to the Management Company, the Fund, the Limited Partners and portfolio companies. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to the systems of the General Partner, the Management Company, the Fund's portfolio companies, the Fund's service providers, counterparties, or data within these systems, including through phishing or ransomware attacks. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers, or other users of the General Partner's or the Management Company's systems to disclose sensitive information in order to gain access to the General Partner's data or that of the Management Company or the Limited Partners (including Limited Partner account and wire instructions). Similarly, third parties may attempt to fraudulently issue capital call notices or other requests to Limited Partners that purport to come from the General Partner or the Management Company, and/or induce Limited Partners to disclose wire and account information. If these systems are compromised, become inoperable for extended periods of time or cease to function properly, the General Partner, the Management Company, the Fund and/or a portfolio company may incur significant time or expense to fix or replace them and



to seek to remedy the effects of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the General Partner's, the Management Company's, the Fund's and/or a portfolio company's operations, including the ability to make distributions to Limited Partners, and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm the General Partner's, the Management Company's, the Fund's and/or a portfolio company's reputation, subject any such entity and its respective affiliates to legal claims, damages and/or regulatory actions or otherwise negatively affect their business and financial performance. To the extent that the General Partner, the Management Company, the Fund or a portfolio company is subject to cyber-attack or other unauthorized access is gained to such entity's systems, such entity would be subject to substantial losses in the form of stolen, lost, or corrupted (i) customer data or payment information; (ii) customer or company financial information; (iii) software, contact lists, or other databases; (iv) proprietary information or trade secrets; (v) other items including loss of capital. In certain events, a failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. The use of internet- or cloud-based programs, technologies and data storage applications generally heightens these risks. Any of such circumstances could subject a portfolio company, or the Fund, to substantial losses. In addition, the General Partner's, the Management Company's, the Fund's and/or a portfolio company's insurance coverage may be insufficient to compensate any such entity and its respective affiliates for incurred liabilities.

Side Letters. The Fund and/or the General Partner expect to enter into a side letter or other similar agreement with certain Limited Partners in connection with its admission to the Fund without the approval of any other Limited Partner, which would have the effect of establishing different or preferential rights or terms under, altering or supplementing the terms of, or confirming the interpretation of an applicable Fund document (including the Partnership Agreement and any related subscription agreement) with respect to such Limited Partner. In such side letters, certain Limited Partners will receive additional benefits that other Limited Partners do not receive, and such benefits potentially will be significant. Further, the General Partner is likely to have its own economic and/or other business incentives to provide certain terms to certain investors (e.g., based on commitment amount to the Fund or the timing thereof, the ability of the investor to provide sourcing or other services to the General Partner, the Fund or other funds managed by the General Partner or its affiliates or the potential to establish, recognize, strengthen or cultivate relationships that have the potential to provide longer-term benefits to the General Partner, the Fund or other funds managed by the General Partner or its affiliates). Such rights, terms or confirmations in any such side letter or other similar agreement may potentially include (i) different economic terms, including reduced management fees, modified waterfall mechanics and/or reduced carried interest and/or receipt of a portion of the General Partner's or its affiliates' management fees, other fees and/or carried interest; (ii) the right to receive certain additional information, certifications, reporting and/or notifications from the Fund or the General Partner or any of their affiliates and/or the manner in which information and/or notice shall be provided; (iii) excuse, opt-out, exclusion or withdrawal rights applicable to particular investments or Limited Partners (which may increase the percentage interest of other Limited Partners in, and contribution obligations of other Limited Partners with respect to, certain investments); (iv) waiver of certain confidentiality obligations; (v) the right to transfer Fund interests and to cause such transferee to be admitted to the Fund as a substitute Limited Partner; (vi) consent of the General Partner to certain transfers by such Limited Partner; (vii) priority co-invest rights or targeted co-investment amounts; (viii) rights or terms



necessary in light of particular legal, regulatory or public policy characteristics of such Limited Partner; (ix) structuring rights with respect to certain types of investments; (x) modification of default remedies; (xi) investment pacing restrictions; (xii) limits on indemnification; and (xiii) rights relating to the appointment of a representative to serve as a member and/or observer of the Fund's Advisory Board. Side letters may also relate to strategic relationships under which a Limited Partner agrees to make capital commitments to multiple Capitol Meridian-advised funds. To the extent a Limited Partner is subject to statutory or other limitations on indemnification, or otherwise negotiates rights relating thereto, other Limited Partners may be subject to increased losses, or be required to bear an increased portion of indemnification amounts. As a consequence of one or more Limited Partners being excused or excluded from an investment, or regulatory, tax or other factors restricting or limiting their participation in, certain investments, the aggregate returns realized by participating or non-participating Limited Partners could be adversely affected in a material manner by the unfavorable performance of particular investments. Although Capitol Meridian believes it to be unlikely, excuse rights requested or received by one or more Limited Partners (or such regulatory, tax or other factors applicable to such limited partners) representing a substantial percentage of the Fund have the potential to create significant variations in Limited Partner investment returns, or to influence or affect the investment strategy and pursuit of investment opportunities by the General Partner on behalf of the Fund as a whole. A Limited Partner's voting rights for regulatory or other reasons can be limited in circumstances specified in the Partnership Agreement; conversely, a limitation on one or more Limited Partners' voting rights generally will increase the voting rights percentage of other Limited Partners in the Fund. Further, Limited Partners with different domiciles or tax categorizations could receive different investment returns or amounts of tax basis and/or pay different levels of expenses, e.g., based on tax savings or ownership of alternative investment vehicle, "blocker" or other structures used to facilitate their investments in, through or below the Fund. Except where required by the Partnership Agreement, other Limited Partners will not receive copies of side letters or related provisions, and as a general matter, the other Limited Partners have no recourse against the General Partner, the Fund or any of their affiliates in the event that certain Limited Partners have received additional and/or different rights and/or terms as a result of such side letters.

*Disclosure of Confidential Fund and Investor Information.* The Limited Partners are expected to include entities that are subject to public disclosure requirements, including state public records or similar freedom of information laws which may compel public disclosure of confidential information regarding the Fund, its investments and its investors. There has been a recent increase in the number of requests under such laws for contracts (including partnership agreements, subscription agreements and side letters) that investors in private equity funds that are subject to such laws have in place with private equity funds. The Fund may incur expenses in connection with responding to any such disclosure requests, even if the Fund ultimately succeeds in asserting confidentiality for any requested documentation. Moreover, notwithstanding the obligation that the Limited Partners will have pursuant to the Partnership Agreement to maintain the confidentiality of the Fund information, there can be no assurance that such information will not be disclosed either publicly or to regulators, law enforcement or otherwise. The General Partner may also in certain circumstances, in an effort to protect any such potential disclosure, withhold all or any part of the information otherwise to be provided to such a Limited Partner, as more fully described in the Partnership Agreement. There can be no assurance that such information will not be disclosed by the Fund, the General Partner, Capitol Meridian, their affiliates and personnel, portfolio companies or services providers to any of them including to comply with laws,



regulations or policies to which they are or may become subject. In addition, under the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act, the “SEC”) has the authority to require private equity fund advisers, such as Capitol Meridian, to file additional reports with the SEC regarding their funds and investment activities. Any public disclosure of the Fund information could have an adverse effect on the Fund and its investors, for example, by affecting the Fund’s competitive advantage in finding attractive investment opportunities.

*Loans in Lieu of Distributions.* Pursuant to the Partnership Agreement, certain distributions to the General Partner may be deferred to the extent the amount distributable exceeds the General Partner’s tax basis in the Fund. In such case, the deferred distribution amount may be loaned by the Fund to the General Partner. Any interest accruing with respect to such a loan will be allocated and distributed solely to the General Partner.

*Diverse Limited Partner Group.* The Limited Partners could have conflicting investment, tax, and other interests with respect to their investments in the Fund. The conflicting interests of individual Limited Partners are expected to relate to or arise from, among other things, the nature of the Fund’s investments made by the Fund, the structuring or the acquisition of the Fund’s investments, and the timing of disposition of the Fund’s investments. As a consequence, conflicts of interest will arise in connection with decisions made by the General Partner, including with respect to the nature or structuring of investments that could be more beneficial for one Limited Partner than for another Limited Partner, particularly with respect to Limited Partners’ individual tax situations. In selecting and structuring investments appropriate for the Fund, the General Partner will consider the investment and tax objectives of the Fund and the Partners as a whole, and not the investment, tax, or other objectives of any Limited Partner individually.

*Human Error/Trade Errors.* While the Fund will predominantly implement the investment strategies and methods described herein, the activities and decisions of the General Partner plays a vital role in our investment approach. The General Partner Our will make subjective decisions in designing, implementing, monitoring and executing trading strategies, including determinations in connection with developing and making changes to any possible analytics and models (e.g., the timing of implementation, the level of testing required and the setting of various parameters and other settings), implementing risk limits, monitoring the clients’ trading and infrastructure, and trading orders manually. Subjective decisions by the General Partner could prove to be wrong, which could result in losses. The research and methods utilized rely on theories, research and potential models being accurately translated into an actionable investment strategy. Any errors made by individuals in such translation with respect to the input of data may be difficult to detect and could result in errors in the methods and processes utilized that result in losses.

*Reliance on Computational Trading Systems.* Trading decisions will be based, at least in part, on computational analysis generated by the General Partner. The profitability of computational analysis varies with the accuracy of the forecasts of price moves of the Fund’s investments, whether short-term or long-term. No assurance can be given of the accuracy of the forecasts. In addition, the calculations that underlie the General Partner’s trading systems, methods, and strategies may involve extensive use of computers. In general, the use of a computer in collating information or in developing and operating a trading method does not assure the success of the method because a computer is merely an aid in compiling and organizing trade information and executing algorithms generated by human beings. In addition, while rare, data



sources employed by the General Partner for the generation of the trading signals may supply erroneous daily data, and an input error may generate an incorrect trading signal. No assurance is given that the trading decisions based on computer generated information will produce profits for the Fund. It is possible that required data may not be delivered in a timely manner due to equipment malfunctions or other causes beyond the control of the General Partner, including, without limitation, interruption or failure of telecommunication or digital transmission links, including delays or failures due to internet service provider(s), hostile network attacks, network congestion or other similar failures.

*Disaster Recovery and Data Security Measures May Not Be Effective.* The Fund's strategies rely on our information technology and data management systems and those of our service providers (collectively, "**Service Providers**"). These systems can fail or be subject to interruption, damage, or destruction caused by natural or man-made occurrences such as extreme weather, fires, or earthquakes; quarantines and other mobility and/or access restrictions; widespread or prolonged loss of access to key personnel; power loss or computer, network, or telecommunications failures; usage errors by personnel; infiltration by unauthorized persons, including through malware, ransomware, hacking, and other forms of cyber-attacks, some of which may not be detected for an extended period of time ("**Cyber Attacks**"); terrorist attacks; vandalism or other intentional acts of destruction; or similar events or malfeasance (collectively, "**Disaster/Security Events**"). With the increasing interconnectedness of our global economy, a massive Cyber Attack aimed at a country's critical infrastructure and economic systems may create chaos more catastrophic than a terrorist attack, natural disaster, or pandemic. Any failure, interruption, damage, or destruction of a Service Provider's information technology and/or data management systems could have a material adverse impact on our operations, including impairing financial performance. Cyber Attacks could disrupt the strategies and methods used to invest or otherwise disrupt and impact business operations, potentially resulting in financial losses to our clients; interference with our ability to calculate the value of an investment; impediments to trading; entering of improper trades for market manipulation purposes by unauthorized persons; the inability for us and service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information. A breach in the security of a Service Provider's systems could result in the theft, disclosure, or loss of proprietary, confidential, and other sensitive information relating to our clients, such as, depending on the Service Provider affected, personal information relating to investors or information about clients' financial condition, clients' investment positions, or clients' pending legal or audit matters. This could adversely affect clients and could result in, among other things, reputational harm. Any of the foregoing could also lead to litigation in which clients could incur liability.

The Fund has in place information security, incident response, backup, and disaster recovery procedures intended to prevent or mitigate damage if a Disaster/Security Event occurs. Service Providers are believed to have in place systems and procedures with respect to Disaster/Security Events, but we do not control or supervise such systems and procedures and cannot provide assurance of their efficacy. A breach caused by a Disaster/Security Event could nevertheless occur despite procedures and systems designed to prevent such breaches, and any procedures or systems could fail or be insufficient to avoid, mitigate, or remedy any resulting interruption or failure. In



particular, Cyber Attacks continue to evolve over time, and their ever-changing methods and technologies often are not known until used against a potential target. Therefore, a Service Provider may be unable to anticipate the forms of Cyber Attacks that could be used against its systems or to implement adequate protections against them.

## **Conflicts of Interest**

Investors should be aware that various actual and potential conflicts will arise from the overall investment activities of the Funds, the General Partner, the Adviser and their respective affiliates. The following discussion identifies certain potential conflicts of interest. In addition, investors should be aware that the Adviser, its affiliates and their respective personnel and affiliates likely will in the future engage in further activities that will result in additional conflicts of interest not addressed below. There can be no assurance that the Adviser will identify or resolve all conflicts of interest and, if resolved, that such conflicts will be resolved in a manner that is favorable to a Fund.

The Founders expect to spend a portion of their business time and attention pursuing investment opportunities that do not fall within the investment objectives of the Funds for other investment funds and other than on behalf of the Funds. The Adviser believes that the significant investment of the Founders in the Funds, as well as the Founders' interest in the carried interest, operate to align, to some extent, the interests of the Founders with the interests of the Limited Partners, although the Founders have and/or are likely in the future to have economic interests in such other investment funds and investments as well and receive management fees and carried interests or other compensation relating to these interests. Such other investment funds and investments that the Founders expect from time to time to control or manage generally have the potential to compete with the Funds or companies acquired by the Funds. Such other investments have the potential to include SPACs, separate accounts and other investment vehicles and investments. Certain investments are permitted to be allocated between the Funds and any other fund in a manner as set forth in the Partnership Agreement. Until such time as the Adviser is permitted under the Partnership Agreement to raise a successor investment fund to a Fund, the Founders generally will pursue substantially all appropriate investment opportunities that meet the investment criteria of the Fund principally for the benefit of the Fund, subject to certain exceptions set forth in the Fund's Governing Documents. However, the Founders currently expect to manage other investment funds besides any particular Fund and investments similar to those in which the Fund will be investing and expect to direct certain relevant investment opportunities or resources to those investment funds and investments. Thus, over time, certain investment opportunities suitable for a Fund are also expected to be suitable for other Funds or vehicles sponsored or advised by the Adviser or its affiliates. In determining which Funds investment funds should participate in such investment opportunities, subject to the Partnership Agreements, the Adviser, the Founders and their affiliates will be subject to potential conflicts of interest among the investors in the relevant Funds. To determine whether a Fund or other investment Funds will participate in the relevant investment opportunity, the Adviser would generally assess whether an investment opportunity is appropriate for the relevant Fund(s) based on the terms of such fund's Governing Documents, as well as factors which include, but are not limited to: [(1) investment objectives, investment strategies and guidelines of the relevant Funds, (2) the level of control expected with the investment, (3) the overall equity expected to be invested by the applicable Funds with respect to such opportunity, including for follow-on investments, (4) the expected hold period for such



opportunity, (5) the sector and geography/location of the investment, (6) the specific nature (including size, type, amount, liquidity, anticipated maturity and minimum investment criteria) of the investment, (7) the expected risk adjusted return of the investment, (8) the expected leverage on the investment, (9) the amount of uncalled capital available to be invested by any applicable Fund(s), including taking into account future capital requirements, (10) the amount of time remaining in the investment period or term of any applicable Funds, (11) any applicable limitations in the governing documents or side letters of any applicable Funds, including concentration limits and the requirement to excuse any investor of any such Funds from investing in such opportunity, (12) the existing or anticipated future portfolio construction of any applicable Funds, (13) mandatory minimum investment rights and other contractual obligations applicable to participating Funds and/or to their investors, (14) portfolio diversification and relative exposure to market trends, (15) the avoidance of de minimis allocations to one or more participating Funds, (16) the potential dilutive effect of a new position, (17) the relation to existing investments in a Funds, if applicable (e.g., “follow on” to existing investment, joint venture or other partner to existing investment, or same security as an existing investment), (18) the overall risk profile of a portfolio, (19) facts, circumstances and preferences applicable to any investor of any applicable Funds, (20) conflicts considerations, (21) investment goals and diversification considerations of any applicable Funds, (22) co-investor participation, (23) legal, tax, regulatory, policy, restrictions and other similar considerations, (24) strategic benefits associated with any applicable Funds and (25) any other factors deemed relevant by the Adviser and its affiliates. In such circumstances, the Adviser would determine the allocation of investment opportunities among funds in a manner that it believes is fair and equitable consistent with the Adviser obligations and generally will take into consideration factors such as those set forth above. In addition to the foregoing, if the Adviser believes it is in the interest of a Fund to limit its exposure to a specific investment opportunity, or if the Adviser determines it could provide near-term or long-term benefits, or establish, strengthen or recognize relationships with respect to the investment, the Funds and/or the Adviser to include one or more third parties in an investment opportunity, the Adviser the right to allocate a portion of the investment to future funds sponsored by the Adviser, Limited Partners, service providers (including Special Consultants, as defined below) third-parties or other co-investors (including other Funds). Therefore, such allocations potentially will be more advantageous to a Fund relative to one or all of the other Funds, or vice versa.

While the Adviser will allocate investment opportunities in a way that it believes is fair and equitable under the circumstances over time, there can be no assurance that a Fund’s actual allocation of an investment opportunity, if any, or terms on which the allocation is made, will be as favorable as they would be if the conflicts of interest to which the Adviser is subject did not exist.

Additionally, conflicts of interest can arise if a Fund makes an investment in a portfolio company in conjunction with an investment made by another Fund. For instance, a Fund likely will not invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as such other investment fund. This likely would result in differences in price, investment terms, leverage and associated costs between a Fund and any other investing fund sponsored or advised by the Adviser or an affiliate. The Adviser and its affiliates may express inconsistent views of such investments or of market conditions more generally. To the extent a fund sells its interest in an investment to a third-party, it may impact the value of the other vehicles interest in the same investment, and will give rise to the co-venturer risks discussed



above under “Strategic Alliances; Third Party Co-Investment.” There can be no assurance that a Fund and the other investing Fund(s) will exit the investment at the same time or on the same terms or that the Fund’s return on such an investment will be the same as the returns achieved by any other investment fund participating in the transactions. In that regard, actions taken for one or more Funds will potentially adversely affect other Funds.

The Adviser reserves the right to enter into cross-transactions on behalf of a Fund or any other investment Funds or vehicles sponsored by the Adviser or its affiliates, or co-investors or co-investment vehicles, in which a Fund buys securities from, or sells securities to, or co-invests with, such other persons. In some cases, an investment of a Fund may be merged with or into an investment owned by another fund sponsored by the Adviser or its affiliate. Investments in an investment by more than one Fund sponsored by the Adviser or its affiliates raise potential conflicts of interest, including where the assets of a Fund support positions taken by other Funds sponsored by the Adviser or its affiliates and/or the transactions allow the Adviser or its affiliates to realize carried interest and/or obtain future management fees and/or carried interest with respect to such investments. These conflicts are heightened to the extent the relevant securities are illiquid or do not have a readily ascertainable value, and there generally can be no assurance that the price at which such transactions are entered into represent what would ultimately be the underlying investment’s fair value. To the extent required by the relevant Governing Documents or otherwise in the sole discretion of the applicable Funds’ general partners, such general partner is authorized to seek to mitigate such conflicts by seeking the opinion of an unaffiliated third party (including the use of a consultant or investment banker at the cost of the Funds to opine as to the fairness of a purchase or sale price) or by obtaining the consent of the relevant fund(s) (including, where authorized, the consent of each fund’s Advisory Board) to such transactions. The Adviser is also authorized to determine that the willingness of a third-party to make an investment on the same terms demonstrates the fairness of the relevant transaction to the Funds under then-current market conditions, and therefore determine not to obtain any consent. Further, Funds nearing the end of their term are expected from time to time to sell their interest in commonly held investments to other Funds with more time remaining in their term, which gives rise to the conflicts of interest discussed herein. Conflicts of interest are also heightened in the foregoing transactions to the extent personnel of the Adviser are assigned varying percentages of carried interest from funds in the same investment, or if economic terms, performance or the potential for carried interest vary between Funds, particularly when one Fund sells its portion of such investment to another Fund, which could cause a portion of such carried interest to become “realized.” Whether or not Advisory Board consent is obtained or there is a fairness opinion or a third-party investor, the Adviser intends to conduct such transactions in a manner that it believes to be fair and equitable to each Fund under the circumstances, including a consideration of the potential present and future benefits with respect to each Fund including the relative ownership percentages of the Funds in the applicable investment, the length of time remaining in a fund’s term and other factors similar to those discussed above regarding the allocation of investment opportunities.

Where a Fund and other Funds invest at the same, different or overlapping levels of an investment’s capital structure, there is a potential for conflicts of interest in determining the terms of each such investment. Questions are likely to arise subsequently as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced or restructured. In troubled situations, decisions including whether to enforce claims, or whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy,



and the terms of any work-out or restructuring will raise conflicts of interest, particularly with respect to funds that have invested in different securities within the same investment. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, a Fund may not provide such additional capital, and if provided, each such fund generally will supply such additional capital in such amounts, if any, as determined by such Fund's general partner in its sole discretion. Because of the different legal rights associated with debt and equity of the same investment, the Adviser and its affiliates are likely to face a conflict of interest in respect of the advice given to, and the actions taken on behalf of, one Fund versus another Fund (e.g., the terms of debt instruments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies). In certain circumstances a Fund is expected to be prohibited from exercising (or the Adviser may deem it appropriate to refrain from exercising) voting or other rights in order to mitigate the relevant potential conflicts, notwithstanding the fact that the investment(s) of a Fund may be subject to creditor claims regarding subordination of interests. Given the nature of the foregoing conflicts, there can be no assurance that the resolution of these conflicts will be beneficial to the Fund.

As discussed above, if a Fund enters into any indebtedness with one or more other investment funds and entities managed by the Adviser or any of its affiliates on a joint and several basis, the applicable general partner is expected to enter into one or more agreements that provide each fund with a right of contribution, subrogation or reimbursement. In administering, or seeking to reinforce, these agreements, the Adviser may be subject to conflicts of interest, for example between a Fund with a reimbursement obligation and a Fund seeking reimbursement. In certain circumstances, a Fund may be prohibited from exercising (or the Adviser may deem it appropriate to refrain from exercising) voting or other rights in order to mitigate the relevant potential conflicts, notwithstanding the fact that the investment(s) of one Fund or the other may be subject to creditor claims regarding subordination of interests. The Adviser intends to mitigate any potential conflicts by structuring such agreement in a manner intended to cause each fund to bear its proportionate share of the applicable indebtedness.

The Adviser expects to be faced with a variety of potential conflicts of interest when it determines allocations of various fees and expenses to the Funds. The Adviser, in its sole discretion, intends to allocate fees and expenses in accordance with the Governing Documents and in a manner that it believes is fair and equitable to its clients under the circumstances over time, based on its then current internal allocation policy and considering such factors as it deems relevant. The allocations of such expenses often will not be proportional, and any such determinations involve inherent matters of discretion (e.g., in determining whether to allocate pro rata based on the number of funds or co-investors receiving related benefits or proportionately in accordance with asset size or, in certain circumstances, determining whether a particular expense has a greater benefit to one Fund or the Adviser or its affiliates).

As a general matter, broken deal expenses are allocated among Limited Partners regardless of whether any individual Limited Partner negotiated for an elective or automatic contractual right that would have excused them from participating in the investment. The Funds also expect to bear fees and expenses indirectly to the extent a portfolio company (or intermediate entity) pays fees and expenses, and the Adviser reserves the right to charge fees and expenses to portfolio companies, capitalize fees and expenses into the cost basis of a transaction, or to the extent necessary or desirable for operational, administrative, tax or other reasons, charge fees and



expenses at the level of an intermediate holding company between a Fund and the portfolio company. The amount of Fund expenses ultimately called or called at any one time may exceed expectations.

The Funds primarily intend to make controlling investments in portfolio companies. As a result of these controlling interests, the Adviser typically will have the right to appoint portfolio company board members (including current or former Adviser personnel, Operations Group members or persons serving at their request), or to influence their appointment, and to determine or influence the determination of their compensation. Additionally, from time to time, portfolio company board members will approve compensation and other amounts payable to the Adviser or its affiliates in connection with services provided by the Adviser and/or its affiliates to such portfolio company, and, except to the extent such amounts are subject to the Partnership Agreement's offset provision, are in addition to the Management Fee or carried interest discussed herein. The Adviser's authority to appoint or influence the appointment of portfolio company board members who will be involved in approving compensation payable to the Adviser subjects the Adviser and any such portfolio company board appointees to potential conflicts of interest. In addition, decisions made by a director will potentially subject the Adviser, the Funds or their respective affiliates to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other director-related claims.

Because the Adviser and its affiliates are permitted to retain certain transaction fees, monitoring fees and similar "Transaction Fees" as set forth in the Partnership Agreement in connection with Fund investments, it expects to be subject to a potential conflict of interest in connection with approving transactions and setting such compensation. In many cases, such Transaction Fees potentially will be based on a flat amount established with Capitol Meridian at the time of engagement, or enterprise value or other metrics relating to a portfolio company, and there can be no assurance that the amount of such Transaction Fees charged will be proportional to the amount of hours of work performed on behalf of the portfolio company. In certain circumstances, the Adviser expects that co-investors, lenders, consultants or other parties from time to time will negotiate the right to share a portion of such Transaction Fees from a particular investment, and any Management Fee offset percentage will be applied after excluding any amounts paid to such persons. Additionally, the Adviser, its personnel, affiliates or others designated by the Adviser, including the Operations Group and other service providers, expect from time to time to receive compensation in the form of portfolio company securities. To the extent any such securities are received, after any applicable offset provisions in the Partnership Agreement are applied, the Adviser and/or such other recipients will be permitted to retain such securities as Transaction Fees, and in doing so will be subject to potential conflicts of interest in determining whether to sell such securities (subject to restrictions imposed by the portfolio company and/or the Adviser or retain such securities for a period consistent with their own financial and investment objectives, which is likely to differ from those of the Funds). In addition, because portfolio company securities typically represent newly issued incentive equity (whether in the form of common stock, warrants or options to buy common stock, or similar instruments), the receipt of compensation in the form of securities typically has the result of diluting the Funds relative ownership of the portfolio company awarding such compensation. In certain circumstances, such as those relating to short- or long-term portfolio company cash or liquidity needs, and regardless of whether the portfolio company is undergoing financial stress, the Adviser reserves the right to accrue, defer or forego payments of Transaction Fees, and reserves the right



to charge interest at then-available rates with respect to such amounts. In such cases, in accordance with the Partnership Agreement, Limited Partners will not receive the benefit of Management Fee offsets with respect to such amounts until they are actually received. Similarly, the Adviser reserves the right to agree with Operations Group members, other consultants, service providers, portfolio company management or other parties that all or a portion of certain expense reimbursements, payments or other amounts owed to such persons relating to one or more portfolio companies will be paid in the form of a profits interest granted in the relevant portfolio companies or related intermediate entities. While such an arrangement could be more favorable to the relevant Funds if the investment does not increase in value, in the event of appreciation in the relevant portfolio company any such profits interest generally would have a dilutive impact on the Fund's investment, as well as the potential to result in economic gains greater than the original amount of compensation. From time to time, employees or other personnel of the Adviser or their respective affiliates (including Operations Group members) are likely to also be asked to serve as directors of, or observers with respect to, certain entities in which the Funds have fully exited its ownership interest. Any compensation received by such personnel in connection therewith will not be offset against the Management Fee or otherwise be shared with the Funds or Limited Partners.

Additionally, a portfolio company typically will reimburse the Adviser, the Operations Group and other service providers retained at the Adviser's discretion for expenses (including, without limitation, travel expenses) incurred by such persons in connection with the performance of services for such portfolio company. This subjects the Adviser to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. Subject to the Partnership Agreement and its internal reimbursement policies and practices, the Adviser determines the amount of these reimbursements for such services in its own discretion.

The Adviser and/or its affiliates are also authorized to employ or retain personnel (including Operations Group members) with pre-existing ownership interests in or who were employed by portfolio companies owned by the Funds or other Funds or investment vehicles advised by the Adviser or an affiliate; conversely, former personnel or executives of the Adviser or its affiliates (including Operations Group members) will likely serve in significant management roles at portfolio companies or service providers recommended by the Adviser. Similarly, the Adviser and/or its personnel maintain relationships with (and reserve the right to invest in) financial institutions, service providers and other market participants, and their respective affiliates and personnel, including managers of private funds, banks, brokers, advisors, consultants, finders (including executive finders and portfolio company finders), executives, attorneys, accountants, institutional investors, family offices, lenders, current and former employees and current and former portfolio company executives, as well as certain family members or close contacts of these persons. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, the Adviser, or the Funds, and/or other investment vehicles the Adviser or an affiliate sponsors or advises or portfolio companies. The Adviser will have a conflict of interest with a Fund in recommending the retention or continuation of a service provider to the Fund or a portfolio company owned by the Fund if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in one or more Funds the Adviser or an affiliate sponsors or advises, will provide the Adviser information about markets and industries in which the Adviser or its affiliates operate (or are contemplating operations) or will provide other



services that are beneficial to the Adviser. For example, the Adviser will potentially cause a Fund to make payments to investment banks, all or a portion of which is for the purpose of generating future deal flow; however, such payments may not result in any future deal flow, or could create goodwill that ultimately results in future deal flow for one or more other funds managed by the Adviser that did not pay such expenses. The Adviser will have a conflict of interest in making such recommendations, in that the Adviser has an incentive to maintain goodwill between itself and the existing and prospective investments for a Fund and other funds and investment vehicles that the Adviser or an affiliate sponsors or advises, while the products or services recommended will not necessarily be the best available to such Fund and/or portfolio companies held by the Fund.

Over the life of the Funds, such Adviser generally expects to exercise its discretion to recommend to the Funds or to an investment thereof that they contract for services or enter into transactions with various service providers (in addition to the persons referenced in the paragraph above), potentially including, among others: (a) the Adviser (or an affiliate, including Operating Partners, other portfolio companies of the Funds and at rates determined or substantively influenced by the Adviser; (b) an entity with which the Adviser or its affiliates or current or former members of their personnel has a relationship or from which such person derives a financial or other benefit, including strategic alliances, joint ventures or co-venturers, or relationships where Adviser personnel are seconded, or from which the Adviser receives secondees; or (c) a Limited Partner (or a limited partner of another fund) or its affiliates. For example, the Adviser will potentially initiate transactions or service agreements between two or more portfolio companies of the Funds and is authorized to engage certain Limited Partners or their affiliates that are engaged in lending or other businesses to provide financing or other services in connection with the Funds' investments. In addition, one portfolio company potentially will provide goods or services to another portfolio company, and there can be no assurance that the terms of any such transaction will be the same as those that would be obtained in an arm's length transaction between unaffiliated parties. In particular, such transactions could result in the provision of services to a portfolio company at a rate higher than could be obtained by such portfolio company on the open market, or conversely, result in a portfolio company providing services to another portfolio company at a discounted rate.

The foregoing arrangements subject the Adviser to potential conflicts of interest, because although it intends to initiate transactions and select service providers that it believes are aligned with its operational and value creation strategies and that will enhance investment performance, the Adviser will have an incentive to recommend the related or other person or transaction because of its financial or business interest. Additionally, there is a possibility that the Adviser, because of such incentive or for other reasons (including whether the use of such persons could establish, recognize, strengthen or cultivate relationships that have the potential to provide longer-term benefits to the Adviser, the Funds or other investment funds sponsored or advised by the Adviser or its affiliates), will favor such transaction, retention or continuation even if a better price and/or quality of service provider could be obtained from another person. The Adviser will not necessarily seek out the lowest cost options when incurring (or causing the Funds or their investments to incur) such expenses. Although Capitol Meridian generally seeks appropriate rates for services, it reserves the right to prioritize prior usage, perceived sector competence or expertise, familiarity, onboarding speed or other factors in retaining or recommending service providers. Whether or not the Adviser has a relationship with or receives financial or other benefit from recommending a particular transaction or service provider, there can be no assurance that no other transaction would



be more beneficial or that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

The fact that the General Partner's carried interest is based on a percentage of net profits creates an incentive for the General Partner to cause the Funds to make riskier or more speculative investments or to hold an investment longer than otherwise would be the case. In addition, because the Funds have a fixed investment period after which capital from Limited Partners generally is only permitted to be drawn down in limited circumstances, and because the Management Fee is, at certain times during the life of the Funds, calculated based upon the invested capital of the Funds, the Management Fee structure creates an incentive for the General Partner to deploy capital, and to keep such capital deployed, when it might not otherwise have done so.

The General Partner (and its beneficial owners) may be subject to tax treatment in respect of its share of income arising from the carried interest and its commitment to the Funds, including tax treatment that differs materially from the taxation of similar items to certain Limited Partners, which could create the potential for conflicts of interest. For example, various tax rules (including the three-year holding period requirement for capital gains treatment in respect of carried interest) could create an incentive for the General Partner to cause a Fund to borrow more frequently, in greater amounts or for longer periods; hold investments for longer than it would absent adverse tax consequences to the General Partner from a shorter holding period; or waive or defer the distribution or allocation of carried interest to the General Partner, potentially changing the character or amount of income allocated to Limited Partners. The General Partner will generally have the authority to control these decisions and any positions taken by a Fund in respect of tax elections or income allocations.

Capitol Meridian personnel are permitted to serve on boards or act in other roles unaffiliated with Capitol Meridian, the Funds or their portfolio companies, including boards of charitable and educational institutions, public companies and former portfolio companies of Capitol Meridian and/or prior firms of Capitol Meridian personnel. Such portfolio companies potentially will be in the same industry as the Fund's portfolio companies and have the potential to compete with such portfolio companies. In addition to the foregoing and subject to those limitations set forth in the Partnership Agreement, the Adviser and its personnel and affiliates reserve the right to carry on investment activities for their own account and for family members, friends or others who do not invest in the Funds, whether or not through a formal family office or estate planning structure, and potentially will give advice and recommend securities to vehicles which differ from advice given to, or securities recommended or bought for, the Funds, even though their investment objectives are the same or similar. Such persons are also permitted to have capital investments in or alongside the Funds, or in prospective portfolio companies, such investments also may be (directly or indirectly through investment vehicles sponsored by potential competitors) in the same industry as the Funds invest. Such personnel also reserve the right to pay or receive compensation relating to the foregoing activities which will not offset the Funds' management fee. Similarly, Capitol Meridian, its personnel and their respective affiliates reserve the right to buy or sell securities or other instruments that the Adviser has recommended to the Funds. In addition, such persons reserve the right to buy securities in transactions offered to but rejected by the Funds. Any such transactions are subject to any restrictions in the Partnership Agreement and any related policies and procedures of the Management Company.



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

From time to time the Adviser, its affiliates and personnel and persons selected by them will be eligible to receive the benefit of "friends and family" and similar discounts from portfolio companies owned by the Funds under which such portfolio companies make their goods or services available at reduced rates. Discounted prices or better terms offered by a portfolio company to the Adviser, any portfolio company or third parties have the potential to impact the returns of the portfolio company.

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



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

As with other private equity fund sponsors, as part of Capitol Meridian’s business, the Principals, Capitol Meridian and its employees have developed many relationships with third parties which have the potential to raise conflicts of interest. Such third parties include investment bankers, lenders, consultants, professional advisors (such as attorneys and accountants), co-investors, current and former directors, officers and employees of current and former portfolio companies and former employees and members of Capitol Meridian. Certain of these third parties are expected, from time to time, to: (i) introduce investment opportunities to Capitol Meridian; (ii) arrange for, or facilitate the financing of, the purchase or recapitalization of current and potential portfolio companies; (iii) introduce portfolio companies to potential acquisition or merger candidates; (iv) facilitate the disposition of portfolio companies; or (v) solicit investors for Capitol Meridian funds; and/or (vi) provide investment banking, consulting, legal or advisory services to Capitol Meridian, the Funds and/or Fund portfolio companies. Such third parties are also expected, from time to time, to provide goods or services to or have business, personal, political, financial or other relationships with the Principals. In addition, such third parties are permitted to invest in one or more Capitol Meridian funds; co-invest in one or more portfolio companies; or provide other significant business or investment services to Capitol Meridian, Capitol Meridian funds and/or Capitol Meridian fund portfolio companies. These relationships have the potential to influence the Adviser in deciding whether to select or recommend any such third-party to perform services for the Funds or a portfolio company. The cost of any services provided by such third parties generally will be borne directly or indirectly by the relevant Funds or their portfolio companies, as applicable.

In certain cases, the Adviser will have the opportunity (but generally no obligation unless otherwise agreed to with Limited Partners in side letters or the Partnership Agreement) to identify one or more secondary transferees of interests in a Fund. In such cases, the Adviser will use its discretion to select such transferees based on eligibility and other factors similar to those employed in selecting co-investors as described below, and unless required by the Partnership Agreement, will determine in its sole discretion whether the opportunity to receive a transfer of Fund interests should be offered to one or more existing Limited Partners.

The Adviser is authorized, in its sole discretion, to provide or commit to provide co-investment opportunities to one or more Limited Partners and/or other persons, including the Management Company and other affiliates of the Management Company, Management Company personnel and/or certain other persons associated with the Management Company and/or its affiliates, Special Consultants (as defined below) and other consultants, advisers and service providers, finders, portfolio company board of directors and management teams, other sponsors, strategic investors and market participants, in each case on terms to be determined by the Adviser in its sole discretion. Conflicts of interest are likely to arise in the allocation of such co-investment



opportunities. The allocation of co-investment opportunities, which will be made to one or more persons for any number of reasons as determined by the Adviser in its sole discretion, have the potential to not be in the best interests of a Fund or any individual Limited Partner. The Adviser's procedures permit it to take into consideration a variety of factors in making such determinations, including but not limited to: (i) whether the prospective co-investor has expressed an interest in evaluating co-investment opportunities, including the perceived degree of that interest; (ii) the expertise, knowledge and sophistication of the prospective co-investor with respect to the issuer, segment, industry, geographic region or other characteristics that are relevant to the investment; (iii) the prospective co-investor's perceived ability to approve the investment pursuant to any applicable internal approval processes (including the predictability of the prospective co-investor's investment process), and to otherwise successfully and efficiently execute the transaction, in a timely manner with respect to the timeframe in which the Adviser believes favorable transaction terms may be achieved based on their history of consummating co-investment opportunities; (iv) any tax, regulatory, securities laws and/or other legal considerations with respect to the prospective co-investor (e.g., qualified purchaser or qualified institutional buyer status); (v) confidentiality concerns that may arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity; (vi) the Adviser's perception of whether the investment opportunity may subject the prospective co-investor to legal, regulatory, reporting or other burdens that make it less likely that the prospective co-investor would act upon the investment opportunity if offered or would impair the Adviser's ability to execute the relevant transaction in the desired time or on desired terms; (vii) the size of the investment allocation available to a Fund (and not being allocated to Funds) and the practicality of splitting the allocation into smaller tranches; (viii) the ability of the prospective co-investor to invest an amount of capital that is consistent with the needs of the investment, taking into account the amount of capital reasonably expected to be needed (including for potential add-on acquisitions and other potential additional investments) and the maximum number of investors that can realistically participate in the transaction; (ix) any requirements of any third-party lenders as to the identity of any investors participating as co-investors, or as to the creditworthiness of any co-investors, or as to the number of co-investors, or as to other matters with respect to the investors in the transaction; (x) whether the prospective co-investor is considered "strategic" to the investment because it is able to offer the Adviser or its affiliates or any funds or entities which they manage certain services or benefits, including, but not limited to, the ability to help consummate the investment, the ability to aid in operating or monitoring the investment, or whether the Adviser believes that allocating investment opportunities to an investor or person will help establish, recognize, strengthen and/or cultivate relationships (including formal or informal strategic relationships) that have the potential to provide longer-term benefits to any Fund, the Adviser or its affiliates or other entities which it manages; (xi) whether the prospective co-investor has a history of consummating co-investment opportunities with the Adviser or its affiliates; (xii) whether the prospective co-investor has the financial and operational resources and other relevant wherewithal to evaluate and participate in a co-investment opportunity; (xiii) the likelihood that the prospective co-investor would require governance rights (including, but not limited to, board or observer rights, access to the management team of the underlying portfolio company, or material informational rights) that would complicate or jeopardize the transaction (or, alternatively, where the investor would be willing to defer to the Adviser and assume a more passive role in governing the investment); (xiv) whether the prospective co-investor has any interests in any competitor of the underlying investment; (xv) the expected investment holding period; (xvi) the services provided by the



prospective co-investor in connection with the investment and/or to the issuer of the investment (or otherwise provided by the prospective co-investor with respect to the investment), including sourcing, establishing relationships, participating in diligence, providing operational or financing services post-closing and other services; (xvii) the size of the prospective co-investor's interest to be held in the underlying portfolio company as a result of a Fund's investment (which is likely to be based on the size of the prospective co-investor's capital commitment and/or investment in such entity); (xviii) the size and/or timing of the prospective co-investor's commitment to a Fund or other Funds sponsored by the Adviser; (xix) whether the prospective co-investor has any known investment policies and restrictions, guideline limitations or investment objectives that are relevant to the transaction, including the need for early or recurring distributions; (xx) whether the prospective co-investor is likely to pay management fees and/or carried interest; (xxi) the likelihood that the prospective co-investor may invest in future Funds and other factors that the Adviser considers important in connection with the specific transaction or investment.

The Adviser reserves the right to grant certain third party investors and Limited Partners the opportunity to evaluate specified amounts of prospective co-investments in Fund investments or otherwise to have priority in co investment opportunities. Additionally, from time to time, certain service providers (*e.g.*, lenders) seek to negotiate co-investment rights as a component of their compensation or in exchange for granting better terms to Capitol Meridian, a Fund or investment in connection with the services provided. Co-investment opportunities may, and typically will, be offered to some and not to other Limited Partner. The Adviser's allocation of co-investment opportunities generally will not result in allocations that are proportional to the amounts committed, if any, by the relevant potential co-investors to the Fund, any investment vehicles managed by Capitol Meridian, a Fund or any other co-investment vehicle, and such allocations may be more or less advantageous to some persons or entities than to others.

In some cases, a co-investment vehicle may be formed in connection with the consummation of a transaction and such entity will bear expenses related to its formation and operation. In the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction or would otherwise be beneficial to the transaction, ultimately is not consummated, or a potential co-investor does not invest in a planned co-investment, all fees (including break-up fees) and expenses or other liabilities or obligations (including broken deal fees and expenses) relating to any such proposed transaction generally would be borne by the Fund, and not by any potential co-investors that would have participated in such transaction. Typically, the Funds will bear such fees and expenses regardless of whether any co-investor(s) had yet been identified or confirmed, or whether any co-investment vehicle had yet been formed in connection with the relevant transaction. However, to the extent that such co-investors have already invested in a co-investment or other vehicle in connection with such transaction, such vehicle is expected to bear its share of such fees and expenses. In addition, to the extent a Fund makes use of a credit facility to invest in a portfolio company or pay related expenses, it generally will not be reimbursed separately by co-investors for use of the facility and co-investors will not have any obligations under such facility.

Furthermore, the Adviser and its related persons expect to make decisions regarding whether and to whom to offer co-investment opportunities in consultation with other participants in the relevant transactions, such as a lender or co-sponsor. Co-investment opportunities typically



will be offered to some and not to other Limited Partners, and its consideration of relevant factors in determining co-investment allocations likely will result in certain investors receiving multiple opportunities to co-invest while others expressing interest in co-investments have the potential to receive none. When and to the extent that employees and related persons of the Adviser make capital investments (directly or indirectly through the General Partner) in or alongside the Fund, the Adviser is subject to potentially conflicting interests in connection with these investments. The Adviser's allocation of co-investment opportunities among the persons and in the manner discussed herein often will not result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to others.

In addition, from time to time, the Adviser in order to consummate a transaction or facilitate the acquisition of a portfolio company and ensure a Fund is afforded an investment opportunity or otherwise, may cause the Fund to fund (or commit to fund) on behalf of certain co-investors with a view to selling down a portion of such investment to such co-investors or other persons at a later time or prior to or within a period after the closing of the acquisition. The Fund may or may not receive compensation for such activities. If the Fund does not find co-investors and/or in the event that the co-investors breach their covenant to purchase the investment from the Fund, the Fund will have an allocation to an investment that is larger than originally anticipated. In addition, the Fund will bear the risk that any or all of the excess portion of such investment could only be sold on unattractive terms. If the excess portion of such investment has not been sold, the Fund may bear the entire portion of any other fees, costs and expenses related to such investment, hold a larger than expected investment in such portfolio company and could realize lower than expected returns from such investment.

The Adviser reserves the right, in its sole discretion, to charge a management fee and obtain a carried interest in respect of any co-investment, and to receive transaction and other fees with respect to such co-investment. Since co-investments will not be made through the Fund, any compensation received by the Adviser or the Management Company in connection with a co-investment does not offset the Management Fee. As indicated above, in certain circumstances, the Adviser expects that certain co-investors will negotiate the right to share a portion of Transaction Fees from a particular investment, and any Management Fee offset percentage will be applied after excluding any amounts paid to such persons.

The Adviser, the Funds and the portfolio companies expect from time to time to engage, employ or retain, on behalf of the Funds (including any alternative investment vehicles) and/or portfolio companies, as applicable, certain persons, including the Operations Group (including Operating Partners), third party consultants including "expert advisors," "executive advisors," "executive networks," "strategic partners," "industry advisors" and/or other professionals (collectively, the "**Special Consultants**"), which include affiliates of the General Partner, the Adviser or employees of such affiliates (including a company owned by personnel of the Management Company and/or the Management Company or its affiliates) and, portfolio companies of other funds managed by the Adviser or its affiliates. The Special Consultants are expected to regularly provide services to, or in connection with, the Funds in relation to their activities and/or to one or more portfolio companies or prospective portfolio companies in relation to the identification, acquisition, holding, improvement and disposition of such portfolio companies, including operational aspects of such companies, and are expected to serve on boards of directors or similar governing boards of portfolio companies and provide other services as



described in the Governing Documents of the Funds (the “**Services**”). There can be no assurance that Special Consultants, including Operating Partners, will be exclusive to the Adviser and in some cases will not be exclusive.

Pursuant to the relevant Partnership Agreement, fees and expenses associated with the Services (collectively “**Consulting Fees and Expenses**”), are expected to be paid and/or reimbursed by applicable portfolio companies and/or the Fund, and such Consulting Fees and Expenses will not offset or reduce the Management Fee, as described herein. Consulting Fees and Expenses are expected to include cash fees, retainers, salaries, bonuses (whether or not based on pre-determined milestones), guaranteed payments, incentive equity, stock awards or other non-cash compensation related to the Funds and/or their portfolio companies, and benefits and personnel costs (including employee benefits, payroll taxes, insurance, paid time-off and office space). In addition, Operating Partners (and other Operations Group members) have the potential to receive office space, business cards, email addresses and other benefits and make use of other Management Company resources, and other Special Consultants may receive such benefits from time to time. Additionally, the Adviser and/or portfolio companies provide certain opportunities for Special Consultants to invest in such portfolio companies. The Funds and/or portfolio companies also reimburse costs and expenses incurred by Special Consultants, including travel, meals, lodging and reasonable and customary entertainment. Special Consultants also are expected to receive remuneration from the Adviser and/or the Funds or their affiliates and/or be entitled to other forms of compensation. Such investment opportunities, reimbursements and other compensation paid to a Special Consultant by the Funds and/or portfolio companies will not offset the Management Fee. To the extent Special Consultants are paid retainers or guaranteed minimum compensation amounts, there is the possibility that certain portfolio companies or the Funds will bear a greater share of such compensation due to the utilization of the member’s services at a time when fewer of the Management Company’s other future funds or their portfolio companies make use of such Special Consultants.

It is possible that certain Special Consultants will have a limited partnership or profit interest in the Fund, the Adviser, one or more other investment funds sponsored by the Adviser or in an affiliate of the Adviser. The type, amount and allocation of Consulting Fees and Expenses are permitted to be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the Special Consultants, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such company. The Adviser will face potential conflicts of interest in determining the allocation of Consulting Fees and Expenses. For example, the Adviser generally will not be allocated Consulting Fees and Expenses that relate to services performed by Special Consultants for the Funds and/or portfolio companies or prospective portfolio companies. However, these services also have the potential to provide a direct or indirect benefit to the Adviser and/or its affiliates including other funds managed by the Adviser and/or its affiliates. Therefore, the Adviser has an incentive to classify a particular service as being for a Fund and/or a portfolio company or prospective portfolio company, even though it may directly or indirectly benefit the Adviser and/or its affiliates, in whole or in part. The allocation of Consulting Fees and Expenses may not be proportional, and any such determinations involve inherent matters of discretion by the Adviser.



Similarly, the Management Company reserves the right to designate Operations Group members, including Operating Partners, in its sole discretion, and has an incentive to do so in order to shift costs to the Funds and/or its portfolio companies that would otherwise be borne by the Management Company or its affiliates as overhead. In some cases Management Company personnel will be designated as Operating Partners on a permanent or temporary basis, or with respect to services they perform that are of the type described herein for Operations Group personnel. In doing so, the Management Company faces a conflict in determining the extent to which the Funds or their portfolio companies bear the related Consulting Fees and Expenses, since Consulting Fees and Expenses borne by the Funds and/or their portfolio companies would reduce the costs that the Management Company would be required to bear. Such determinations involve inherent matters of discretion by the Management Company and as described above, the Management Company has the potential to derive benefits from the services provided by such personnel in their capacity as Operations Group personnel.

Although the Adviser anticipates that Special Consultants will be employed or retained by the Management Company and/or its affiliates with a view to reducing costs to portfolio companies or prospective portfolio companies (and, ultimately, the Fund) and/or improving portfolio company performance, a number of factors may result in limited or no cost savings. As a general matter, there can be no assurance that the services rendered by the Special Consultants will be effective and result in Fund returns. Moreover, the Management Company and/or its affiliates only anticipate employing, engaging or retaining Special Consultants that they believe provide services that will create value, while providing them with competitive Consulting Fees and Expenses and other benefits commensurate with their experience and perceived ability to create value. However, there can be no assurance that there is no other personnel or service provider more qualified to provide the applicable services and/or able to provide them at lesser cost, and the Adviser does not undertake any benchmarking against other service provider rates.

As noted above, the Adviser and/or its affiliates are expected to enter into Side Letters with certain investors in a Fund providing such investors with different or preferential rights or terms, including but not limited to different fee structures (including discounted or rebated compensation terms), information rights, specialized reporting, co-investment rights or targeted co-investment amounts, and liquidity or transfer rights. Except where required by the relevant Governing Documents, other investors will not receive copies of Side Letters or related provisions, and as a general matter, the other investors have no recourse against a Fund, the relevant Adviser or any of their affiliates in the event that certain investors have received additional and/or different rights and/or terms as a result of such Side Letters. As a consequence of one or more Limited Partners being excused or excluded, or from regulatory or other factors limiting their participation in investments, the aggregate returns realized by participating limited partners could be adversely affected in a material manner by the unfavorable performance of particular investments.

Any of these situations subjects the Adviser and/or its affiliates to potential conflicts of interest. The Adviser attempts to resolve such conflicts of interest in light of its obligations to investors in its Funds and the obligations owed by the Adviser's advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among the Funds in a fair and equitable manner under the circumstances over time. To the extent that an investment or relationship raises particular conflicts of interest, the Adviser will review the circumstances of such investment or relationship with a view to addressing and reducing the



potential for conflict. Where necessary, the Adviser consults and receives consent to conflicts from an advisory board consisting of limited partners of the relevant Fund(s) and such other investment vehicles.

#### **ITEM 9: DISCIPLINARY INFORMATION**

The Adviser and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

#### **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

The Adviser is affiliated with the General Partners and equivalent entities formed from time to time and subject to the Advisers Act pursuant to the Adviser's registration in accordance with SEC guidance. These entities operate as a single advisory business together with the Adviser and serve as managers or general partners of Funds and other pooled vehicles and generally share common owners, officers, partners, employees, consultants or persons occupying similar positions.

#### **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

The Adviser has adopted the Capitol Meridian Code of Ethics (the "**Code**"), which sets forth standards of conduct that are expected of Capitol Meridian's principals and employees and addresses conflicts that arise from personal trading. The Code requires certain Capitol Meridian personnel to report their personal securities transactions, prohibits or requires pre-clearance for Capitol Meridian personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering, and prohibits Capitol Meridian personnel from directly or indirectly acquiring beneficial ownership of securities on the Advisers' personal trading "restricted list" with limited exceptions, without first obtaining approval from the Capitol Meridian Chief Compliance Officer. Adviser principals and employees who violate the Code of Ethics may be subject to remedial actions, including, but not limited to profit disgorgement, criminal or civil penalties, a letter of caution or warning, suspension or termination of employment and/or notification to appropriate authorities of the violations. Adviser personnel are also required to promptly report any violation of the Code of Ethics of which they before aware. Adviser personnel are required to annually certify compliance with the Code of Ethics. In addition, the Code of Ethics requires such personnel to comply with procedures designed to prevent the misuse of, or trading upon, material non-public information. A copy of the Code of Ethics will be provided to any investor or prospective investor upon request to Andrea Pekala, the Capitol Meridian Chief Compliance Officer, at (202) 742-9910. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that prioritizes the client's interests in client eligible investments.

Capitol Meridian and its affiliated persons may come into possession, from time to time, of material non-public or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, Capitol Meridian and its affiliated persons would be prohibited from improperly disclosing or



using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of Capitol Meridian.

Accordingly, should Capitol Meridian or any of its affiliated persons come into possession of material non-public or other confidential information with respect to public and non-public company, Capitol Meridian generally would be prohibited from communicating such information to clients, and Capitol Meridian will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of Capitol Meridian personnel serving as directors of public companies and may restrict trading on behalf of clients, including a Fund.

Principals and employees of Capitol Meridian and its affiliates generally are expected to directly or indirectly own an interest in one or more Funds, including certain co-invest vehicles. To the extent that co-invest vehicles exist, such vehicles are authorized to invest in one or more of the same portfolio investments as a Fund. Co-invest opportunities generally are also expected to be presented to certain affiliates of Capitol Meridian, as well as third party investors and other persons, and such co-investments may be effected through co-invest vehicles or directly in a particular portfolio investment. Such co-investment opportunities generally will be allocated in the manner described under “Methods of Analysis, Investment Strategies and Risk of Loss.”

In addition to the foregoing and subject to any limitations in the Governing Documents, the Adviser and its affiliates, principals and employees reserve the right to carry on investment activities for their own account and for family members, friends or others who do not invest in a Fund, and may make investments and/or give advice and recommend securities to vehicles which could differ from advice given to, or securities recommended or bought for, the Fund, even though their investment objectives are the same or similar. Such investments may be (directly or indirectly through investment vehicles sponsored by potential competitors) in the same industry as the Funds invest, and have the potential to compete with the Funds for investment opportunities, and/or compete with portfolio investments of the Funds.

## **ITEM 12: BROKERAGE PRACTICES**

The Adviser focuses on securities transactions of private companies and generally purchases and sells such companies through privately negotiated transactions in which the services of a broker-dealer will potentially be retained. However, the Adviser is also authorized to distribute securities to investors in a Fund or sell such securities, including through using a broker-dealer, if a public trading market exists. Although the Adviser does not intend to regularly engage in public securities transactions, to the extent it does so, it follows the brokerage practices described below.

If the Adviser sells publicly traded securities for a Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Adviser. In such event, the Adviser will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, the Adviser will consider a variety of factors, including: (i) a broker’s execution capabilities with respect to the relevant type of order; (ii) the commissions charged by a broker, which may be based on the size of the order, the price



of the security and whether the receipt of products or services is involved; (iii) the broker's reputation and responsiveness to requests for trade data and other financial information; and (iv) other factors suggested by the SEC for determining best execution.

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

Consistent with the Adviser seeking to obtain best execution, brokerage commissions on client transactions are permitted to be directed to brokers in recognition of research furnished by them, although the Adviser generally does not make use of such services at the current time and has not made use of such services since its inception. To the extent the Adviser uses "soft dollars" on behalf of the Funds in the future, it will seek to do so within the safe harbor provided by Section 28(e) of the Exchange Act.

The Adviser does not anticipate engaging in significant public securities transactions; however, to the extent that the Adviser engages in any such transactions, orders for purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for Funds are completed independently, the Adviser is also authorized to purchase or sell the same securities or instruments for several Funds simultaneously. From time to time, the Adviser is permitted, but is not obligated, to purchase or sell securities for several client accounts at approximately the same time. Such orders are permitted to be combined or "batched" to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Fund of the Adviser is favored over any other Fund. When an aggregated order is filled in its entirety, each participating Fund generally will receive the average price obtained on all such purchases or sales made during such trading day. To the extent such orders are not batched, they likely will have the effect of increasing brokerage commissions or other costs.

When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a *pro rata* basis to each Fund participating in such buy or sell order in accordance with the amount of securities originally requested for such Funds.

The Funds generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to *pro rata* allocations are permissible provided they are fair and equitable to Funds over time.

In the Adviser's private company securities transactions on behalf of the Funds, the Adviser is authorized to retain one or more broker-dealers or investment banks, the costs of which will be borne by the relevant Fund and/or its portfolio investments. In determining to retain such parties, the Adviser will consider a variety of factors, including: (i) capabilities with respect to the



type of transaction being contemplated; (ii) commissions or fees charged; (iii) reputation of the adviser being considered and responsiveness to requests for information; and (iv) other factors. As a result, although the Adviser generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and the Funds will not always pay the lowest commission or fee for such services.]

#### **ITEM 13: REVIEW OF ACCOUNTS**

The investments made by the Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, the Adviser monitors companies in which the Funds invest, and the Chief Compliance Officer periodically checks to confirm that each Fund is maintained in accordance with its stated objectives.

Each Fund generally will provide to its limited partners (i) audited financial statements annually commencing with the first year in which it makes an investment, (ii) unaudited financial statements for the first three quarters of each fiscal year commencing with the first quarter the Fund delivers a capital call notice, (iii) annual tax information necessary for each Fund partner's U.S. tax returns, and (iv) descriptive investment information for each portfolio investment periodically.

#### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

The Adviser and/or its affiliates are authorized to provide certain business or consulting services to companies in a Fund's portfolio and will receive compensation from these companies in connection with such services. As described in the Partnership Agreement, this compensation will, in many cases, offset a portion of the Management Fees paid by such Fund. However, in other cases (*e.g.*, payments to Operations Group members, or reimbursements for out of pocket expenses directly related to a portfolio investment), these amounts are expected to be in addition to Management Fees. *See* "Fees and Compensation" above.

The Adviser is authorized, from time to time, to enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a limited partner in a Fund. Any fees payable to any such placement agents or third-party solicitors will be borne by the Adviser indirectly through an offset against the Management Fee, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, typically are borne by the relevant Fund(s).

#### **ITEM 15: CUSTODY**

The Adviser maintains custody of assets held in the name of one or more Funds with the following qualified custodians:

- First Republic Bank, 111 Pine Street, San Francisco, CA 94111
- Pacific Western Bank, 555 S. Mangum Street, Ste. 1000, Durham, NC 27701



#### **ITEM 16: INVESTMENT DISCRETION**

The Adviser will have discretionary authority to manage investments on behalf of each Fund. As a general policy, the Adviser does not allow clients to place limitations on this authority. Pursuant to the terms of the Partnership Agreement, however, the Adviser and/or its affiliates expect to enter into Side Letters with certain limited partners whereby the terms applicable to such limited partner's investment in a Fund will be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. The Adviser assumes this discretionary authority pursuant to the terms of the Partnership Agreement and powers of attorney executed by the limited partners of such Fund.

#### **ITEM 17: VOTING CLIENT SECURITIES**

The Adviser has adopted the Capitol Meridian Proxy Voting Policies and Procedures (the **"Proxy Policy"**) to address how it will vote proxies, as applicable, for the Funds' portfolio investments. The Proxy Policy seeks to ensure that the Adviser votes proxies (or similar instruments) in the best interest of the Funds, including where there is an actual or potential material conflict of interest in voting proxies. The Adviser generally believes its interests are aligned with those of each Fund's investors, for example, through the principals' beneficial ownership interests in such Fund and therefore will not seek investor approval or direction when voting proxies. In the event that there is an actual or potential conflict of interest in voting proxies, the Proxy Policy provides that the Adviser is authorized to address the conflict using several alternatives, as determined by the CCO. The Adviser does not consider service on portfolio company boards by personnel of the Adviser or the Adviser's receipt of management or other fees from portfolio investments to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by the Adviser when voting proxies on behalf of a Fund. If Fund investors would like a copy of the Adviser's complete Proxy Policy or information regarding how the Adviser voted proxies for particular portfolio investments, please contact Andrea Pekala, the Capitol Meridian Chief Compliance Officer, at (202) 742-9910 and it will be provided to you at no charge.

#### **ITEM 18: FINANCIAL INFORMATION**

The Adviser does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.