

FORM ADV PART 2A -- INVESTMENT ADVISER BROCHURE

STONE ARCH CAPITAL, LLC

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March 31, 2023

This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Stone Arch Capital, LLC and its affiliates (“Stone Arch”). If you have any questions about the contents of this Brochure, please contact us at (612) 317-2980. 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.

Stone Arch Capital, LLC 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 Stone Arch Capital, LLC is also available on the SEC’s website at www.adviserinfo.sec.gov.

MATERIAL CHANGES

This Brochure updates the Form ADV Part 2A filed on March 29, 2022. This annual amendment updates the description of certain business practices and the operations of Stone Arch.

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ADVISORY BUSINESS

Stone Arch Capital, LLC, a Delaware limited liability company and a registered investment adviser (the “**Management Company**”), and its affiliated advisers provide investment advisory services to investment funds privately offered to qualified investors in the United States and elsewhere. The Management Company commenced operations in January 2005.

The following general partner entities are affiliated with the Management Company (collectively with the Management Company, the “**Advisers**”):

- Stone Arch Capital Management II, L.P. (“**GP II**”)
- Stone Arch Capital Management III, L.P. (“**GP III**,” and collectively with GP II, the “**General Partners**”).

The Advisers’ clients include the following (collectively the “**Partnerships**,” and together with any future private investment fund to which Stone Arch and/or its affiliates provide investment advisory services, “**Private Investment Funds**”):

- Stone Arch Capital II, L.P.
- Stone Arch Capital II-A, L.P.
- Stone Arch Capital III, L.P.

The General Partners each serve as general partner to one or more Partnerships and have the authority to make the investment decisions for the respective Partnership(s) for which they provide advisory services. The Management Company provides the day to day advisory services for the Partnerships. Each General Partner is subject to the Advisers Act pursuant to the Management Company’s registration in accordance with SEC guidance. This Brochure describes the business practices of the Advisers, which operate as a single advisory business and are under common control. References contained in this Brochure to the strategy and operations of a General Partner should be read to include the activities of the Management Company and other Stone Arch affiliates that collectively engage in the investment process and ongoing management of the Partnerships’ portfolio companies (as defined below).

The Partnerships and any other Private Investment Funds that may be formed by a General Partner (or its affiliates) at a later date or that may otherwise become clients of an Adviser are expected to invest through negotiated transactions in operating entities, generally referred to herein as “**portfolio companies**.” The Advisers’ investment advisory services to the Partnerships 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. Where such investments consist of portfolio companies, the senior principals or other personnel of the Advisers or their affiliates generally serve on a portfolio company’s board of directors or otherwise act to influence control or management of portfolio companies in which the Partnerships have invested.

Stone Arch's advisory services for the Partnerships are detailed in the applicable private placement memoranda or other offering documents (each, a "**Memorandum**") and limited partnership or other operating agreements or governing documents of the Partnerships (each, a "**Partnership Agreement**") and are further described below under "Methods of Analysis, Investment Strategies and Risk of Loss." Investors in a Partnership (generally referred to herein as "investors" or "limited partners") participate in the overall investment program for the Partnership, but in certain circumstances are excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the relevant Partnership Agreement; such arrangements generally do not and will not create an adviser-client relationship between Stone Arch and any investor. The Partnerships or the General Partners have entered into side letters or other similar agreements ("**Side Letters**") with certain investors that have the effect of establishing rights (including economic or other terms) under, or altering or supplementing the terms of, the relevant Partnership Agreement with respect to such investors.

Additionally, from time to time and as permitted by the relevant Partnership Agreement, the Advisers expect to provide (or agree to provide) co-investment opportunities (including the opportunity to participate in co-investment vehicles) to certain investors or other persons, including other sponsors, market participants, finders, consultants and other service providers, Stone Arch personnel and/or certain other persons associated with the Advisers and/or their affiliates (to the extent not prohibited by the applicable Partnership Agreement). Such co-investments typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the Partnership making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-investment vehicle (including a co-investing Partnership) purchases a portion of an investment from a Partnership after such Partnership has consummated its investment in the portfolio company (also known as a post-closing sell-down or transfer), which generally will have been funded through Partnership investor capital contributions and/or use of a Partnership credit facility. Any such purchase from a Partnership by a co-investor or co-investment vehicle generally occurs shortly after the Partnership's completion of the investment to avoid any changes in valuation of the investment, but in certain instances could be well after the Partnership's initial investment. Where appropriate, and in the Advisers' sole discretion, the Advisers reserve the right to charge interest on the purchase to the co-investor or co-investment vehicle (or otherwise equitably adjust the purchase price under certain conditions), and to seek reimbursement to the relevant Partnership for related costs. However, to the extent such amounts are not so charged or reimbursed, they generally will be borne by the relevant Partnership.

As of December 31, 2022, the Management Company managed approximately \$284 million in client assets on a discretionary basis. The Management Company is principally owned by Charles B. Lannin and F. Clayton Miller.

Certain of the owners and employees of the Advisers are owners and employees of Northern Lakes Capital, L.P. and its advisory affiliates ("**Northern Lakes**"). Northern Lakes is a separately registered investment adviser that provides investment advisory services to pooled investment vehicles privately offered to qualified investors in the United States and elsewhere. More information regarding Northern Lakes can be found on its Form ADV Part 2A.

FEES AND COMPENSATION

In general, the General Partners receive a Management Fee (as defined below) and a carried interest in connection with the provision of advisory services to its clients. The General Partners or other Stone Arch entities or affiliates receive additional compensation in connection with management and other services performed for portfolio companies (*e.g.*, monitoring and other fees) of Partnerships and a portion of such additional compensation will generally offset in part the Management Fee otherwise payable to the applicable General Partner to the extent provided by the Partnership Agreements. Investors in the Partnerships also bear certain Partnership expenses.

Management Fee

Each Partnership pays its General Partner a management fee (the “**Management Fee**”) equal to 2% on an annual basis of aggregate Partnership investor capital commitments (“**Commitments**”) through the Partnership’s investment period and 2% of outstanding capital invested thereafter. Payment of the Management Fee is made semi-annually, 30 days in arrears and in advance with respect to the remainder of the period. Most of the Management Fee is ultimately received by the Management Company pursuant to a management agreement. Investors participating in a closing after the initial closing or effective date, as applicable, of a Partnership bear the Management Fee from the date of the initial closing or effective date, as applicable, of such Partnership plus interest. The Management Fee is subject to reduction where the term of a Partnership is extended pursuant to the Partnership’s Partnership Agreement or where a particular subsequent Partnership is formed or upon the occurrence of certain other events as described in the applicable Partnership Agreement. The Management Fee is generally payable until all portfolio investments are realized and/or distributed. Installments of the Management Fee payable for any period other than a full six-month period are generally adjusted on a pro rata basis according to the actual number of days in such period. Where the Partnership Agreements calculate Management Fees based on the amount of Commitments or the amount of investment contributions, the amount of Management Fees generally will not be reduced based on reductions in investment value, except where specified by the relevant Partnership Agreements. As a general matter, Management Fees will be payable during term extensions unless otherwise agreed with investors.

To the extent specified in the Partnership Agreement for the applicable Private Investment Fund, Stone Arch or another Stone Arch entity will be permitted to receive certain supplemental fees and other amounts (“**Supplemental Fees**”) such as: directors’ fees, professional services fees, monitoring fees, breakup fees and other similar fees paid by portfolio companies to a General Partner, the Management Company or their affiliates, partners, members, officers or employees. The applicable Partnership Agreement generally will provide that Supplemental Fees received by the Advisers will be credited against the Management Fee otherwise owed to the Advisers in a specified percentage (65%). The remaining amount of such Supplemental Fees will be retained by Stone Arch. The Management Fee will also be reduced by all placement fees and any organizational expenses paid by a Partnership in excess of the expense cap specified in the Partnership Agreement. To the extent that such an offset credit would reduce the Management Fee for the relevant period below zero, the credit will be carried forward for future application against payable Management Fees. To the extent any such excess remains unapplied upon

dissolution of a Partnership, each partner of such Partnership will receive its share of such unapplied excess, unless such partner elects not to receive its share. To the extent that any other Private Investment Fund or any other entity or individual co-invests alongside the Partnership in any portfolio company investment, any Supplemental Fees are typically, but not necessarily, allocated pro rata among the Partnership and the co-investors in proportion to the cost of the investment in the portfolio company borne by each or in such manner as approved by (i) the General Partner and the governing body of such entity and (ii) the limited partners' committee of the Partnership (the "**Limited Partner Committee**"). As a result, a Partnership will, in most cases, only benefit with respect to its allocable portion of any such fee and not the portion of any fee that relates to such co-investors or potential co-investors (which could include co-investment vehicles managed by an Adviser, third parties, portfolio company management or employees and/or others), which has the potential to be significant. Unless otherwise agreed with investors, Supplemental Fees generally will be payable during term extensions, even if Management Fees are reduced or eliminated during the extended term, thus reducing the amounts of Management Fees actually offset. Supplemental Fees will be offset only to the extent they are paid during the holding period of the relevant Partnership, and investors generally will not receive the benefit of Supplemental Fees paid prior to the Partnership's acquisition of the relevant investment.

Certain Partnership Agreements permit the General Partner to waive or agree to reduce the Management Fee. Any such waived or reduced portion of the Management Fee reduces the amount of capital such General Partner would otherwise be required to contribute to the Partnership. The limited partners of the Partnership would, in such circumstances, be required to make a pro rata contribution according to their respective Commitments to fund any contribution that would otherwise be required of the General Partner in connection with any such waiver or reduction as described above and, as a result, the exercise of such waiver has the potential to result in an acceleration (or delay) of investor capital contributions. Waived or reduced Management Fees are not subject to the Management Fee offsets described above, and the amount of such waived or reduced Management Fee has the potential to be significant. Due to waived or reduced Management Fees by Stone Arch and/or timing of receipt of Supplemental Fees subject to offsets (as described above), it is possible that Management Fee offsets will be delayed or not be fully realized by investors in the relevant Partnership to the extent any such investor irrevocably elects to forego receiving its pro rata share of any excess offsets that exist at the end of a Partnership, resulting in a net additional benefit to Stone Arch.

Carried Interest

The General Partner of each Partnership will receive a carried interest with respect to such Partnership equal to 20% of all profits in excess of an 8% compound preferred return, subject to a General Partner catch-up provision, as more fully described in the Partnership Agreement of the applicable Partnership. The carried interest distributed to the relevant General Partner is subject to a potential giveback at the end of the life of the Partnership and, with respect to a certain Partnership, at such earlier date(s) as set forth in the Partnership Agreement of the applicable Partnership if the General Partner has received excess cumulative distributions.

It is expected that any similar future Private Investment Funds will have a similar Management Fee and carried interest structure.

Other Information

The Advisers are permitted to exempt certain “affiliated partner” investors in the Partnerships from payment of all or a portion of Management Fees and/or carried interest. The General Partners reserve the right to make any such exemption from Management Fees and/or carried interest by a direct exemption, a rebate by the Advisers and/or their affiliates, or through other vehicles which co-invest with a Partnership. Stone Arch retains flexibility to structure its compensation from investors and expects in certain circumstances to agree to invoice an investor directly for Management Fees or other compensation, rather than deducting such amounts from the investor’s capital account(s).

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

Principals or other current or former employees of Stone Arch 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 General Partners or their affiliates.

In addition to the Management Fee and carried interest payable to the General Partner, each Partnership bears certain expenses. As set forth more fully in the applicable Memorandum and/or Partnership Agreement of each Partnership, a Partnership bears all fees, costs, expenses, liabilities and obligations relating to the Partnership’s (and its subsidiaries’ and intermediate entities’) activities, investments and business to the extent not reimbursed by portfolio companies, including organizational expenses up to the expense cap specified in the Partnership Agreement, legal, auditing, consulting (excluding fees for consulting services associated with overall strategy that are not performed as part of an investment initiative), financing, accounting and custodian fees and expenses; expenses associated with the Partnership’s financial statements, tax returns and Schedule K-1s; out of pocket expenses incurred in connection with transactions not consummated (“**Broken Deal Expenses**”); expenses of any Limited Partner Committee; expenses of the annual meetings of the Partnership’s limited partners; insurance; other expenses associated with the acquisition, holding and disposition of its investments (such as, where appropriate, travel, meal and entertainment expenses), including extraordinary expenses (such as litigation, if any); and any taxes, fees or other governmental charges levied against the Partnership, but not ordinary administrative and overhead expenses of the General Partner or Management Company incurred in connection with managing, originating and monitoring investments, including employees’ salaries, rent, utilities and other similar expenses specified in the Partnership Agreement. The Partnerships also bear expenses indirectly to the extent a portfolio company (or intermediate entity) pays expenses, including expenses of Stone Arch and/or its affiliates; the relative percentage of these expenses that are borne by various stakeholders (including the relevant Partnership, any co-investors, portfolio company management and other persons) is expected to depend upon the level at which such expenses are charged or incurred. Generally included in the expenses permitted to be borne by a Partnership are the fees, costs, expenses, liabilities and obligations of legal counsel, consultants and/or other service providers to procure, develop, establish, review, revise, customize,

upgrade and/or negotiate relationships relating to the foregoing items, which generally are expected to be significant. In certain cases, these or similar expenses (and/or Supplemental Fees) are expected to be charged to portfolio companies, capitalized into the cost basis of a transaction or, to the extent necessary or desirable for operational, administrative, tax or other reasons, charged at the level of an intermediate holding company between the relevant Partnership and the portfolio company. The General Partner reserves the right to agree with operating partners, joint venture or similar partners, service providers, portfolio company management or other persons that all or a portion of certain expense reimbursements, payments or other amounts owed to such persons relating to one or more investments will be paid in the form of a profits interest granted in the relevant investments or related intermediate entities. While such an arrangement could be more favorable to the relevant Partnership if the investment does not increase in value, in the event of appreciation in the relevant investment, any such profits interest generally would have a dilutive impact on the Partnership's investment, as well as the potential to result in economic gains to the recipient greater than the original amount of compensation. 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, in the judgment of the General Partner, ultimately is not consummated, all Broken Deal Expenses relating to such proposed transaction will be borne by the applicable Partnership, and not by any potential co-investors or co-investment vehicle that were to have participated in such transaction, unless such co-investor or co-investment vehicle irrevocably committed to such transaction. The Advisers' practice of allocating expenses, including Broken Deal Expenses, among investing Partnerships is discussed under "Conflicts of Interest," below. To the extent a Partnership 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. Each Partnership also generally will bear the costs of implementing, monitoring and complying with investment guidelines and directives relating to the Partnership's strategy, including in Side Letters relating thereto. Additionally, subject to the applicable Partnership Agreement, a Partnership typically will bear certain unreimbursed expenses of portfolio companies and intermediate holding vehicles through which the Partnership invests. As is typical for private equity funds, the Partnerships 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."

Additionally, as further described herein and in the applicable Memoranda and/or Partnership Agreements of certain Partnerships, Stone Arch from time to time likely will retain certain operating partners (including entities formed for the benefit of such persons and/or to facilitate the provision of their services) to provide services to (or with respect to) one or more of the Partnerships or certain current or prospective portfolio companies in which one or more of the Partnerships invest. Any compensation received by operating partners is generally intended to be paid by a portfolio company or prospective portfolio company or, in some instances, directly by the applicable Partnership(s). Compensation in the form of profits or equity interests in a portfolio company or intermediate holding company generally has a dilutive impact on the relevant Partnership's investment, has the potential to result in economic effects greater than the original amount of compensation, and the relevant Partnership typically will bear, either directly or indirectly through its investment in the applicable portfolio company or intermediate holding company, the costs of all operating partner compensation as well as fees, costs and expenses of

structuring operating partner arrangements. Operating partners also generally will be reimbursed for certain travel and other costs in connection with their services. No amounts described above will offset the Management Fee. Similarly, from time to time, Stone Arch has retained, and expects in the future to retain, consultants affiliated with Stone Arch to provide services to one or more portfolio companies and receive compensation and expense reimbursement from such portfolio companies directly. Such amounts will not offset the Management Fee, although Stone Arch will reduce the monitoring fee it charges to the portfolio companies by the compensation paid to such consultants. The use of operating partners and Stone Arch affiliates in the manner described here subjects the Advisers to certain potential conflicts of interest, as discussed under “Conflicts of Interest,” below.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described under “Fees and Compensation,” the General Partners receive a carried interest allocation on certain profits in the Partnerships. The Advisers do not advise Private Investment Funds not subject to a carried interest. Additionally, to the extent that Stone Arch and/or Stone Arch personnel are assigned varying percentages of carried interest from the Partnerships, Stone Arch and such personnel are subject to potential conflicts of interest, to the extent they are involved in identifying investment opportunities as appropriate for Partnerships from which they are entitled to receive a higher carried interest percentage. The Advisers seek to address the potential for conflicts of interest in these matters with allocation policies that provide that transactions and investment opportunities will be allocated to the Partnerships in accordance with each Partnership’s investment guidelines and Partnership Agreement, as well as other factors that do not include the amount of performance-based compensation received by the Advisers 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 Partnership than it would otherwise make in the absence of such arrangement, although the Advisers generally consider performance-based compensation to better align their interests with those of their investors.

TYPES OF CLIENTS

The Advisers provide investment advice to Private Investment Funds, including the Partnerships, and references throughout this Brochure to “clients” and to Stone Arch’s related duties to and practices on behalf of its clients and/or investors should be construed accordingly. Private Investment Funds are investment partnerships or other investment entities formed under U.S. or non-U.S. laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”). The investors participating in Private Investment Funds generally include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and from time to time include, directly or indirectly, principals or other employees of the Advisers and their affiliates and members of their families, operating partners or other service providers retained by the Advisers, as well as executives of portfolio companies.

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

Each Partnership has a minimum investment amount of \$5 million for third-party investors. The applicable General Partner generally is permitted to waive such minimum investment amount. In most circumstances, investors in the Partnerships must meet certain suitability and net worth qualifications prior to making an investment. Generally, investors must be (i) “accredited investors” as defined under Regulation D of the Securities Act of 1933, as amended and (ii) either “qualified purchasers” or “knowledgeable employees” as defined under the Investment Company Act.

In certain circumstances, certain affiliates and personnel of Stone Arch and other third party investors are likely to be permitted to co-invest directly in a particular portfolio company or in a holding company which holds the equity in the portfolio company directly. The Advisers will select which investors are permitted to participate in such co-invest opportunities based on various factors, including the sophistication of the investor, the ability of the investor to fund and complete the investment on a timely basis and for strategic or other reasons as may be more fully described in the applicable Partnership’s Partnership Agreement. The Advisers are not obligated to make co-investment opportunities available to any particular investors or limited partners.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

General

The principal investment strategy of Stone Arch is to achieve long-term capital appreciation, primarily by acquiring equity and equity-related securities and certain debt instruments in private growth-oriented companies. Stone Arch generally targets lower middle market companies primarily located in the Midwest region of North America, although the Advisers may make investments outside of the Midwest if they locate an investment opportunity which they believe presents a high likelihood of closing an attractively priced and structured investment. Stone Arch seeks to make investments of between \$10 million and \$25 million in family-owned companies that have \$5 million to \$25 million in EBITDA. Investments are predominantly of non-public companies, although investments in public companies are permitted, subject to certain restrictions in the applicable Partnership Agreement.

The following is a summary of the investment strategies and methods of analysis generally employed by the Advisers on behalf of the Partnerships. More detailed descriptions of the Partnerships’ investment strategies and methods of analysis are included in the applicable Memorandum and Partnership Agreement for each Partnership. *There can be no assurance that the Advisers will achieve the investment objectives of any of the Partnerships, and a loss of investment is possible.*

Investment and Operating Strategy

The Advisers seek to provide returns to investors by (i) using research and contacts to identify investments that the Advisers believe are attractive, (ii) performing rigorous analysis and due diligence to select and structure investments, and (iii) providing significant resources to portfolio companies.

Identification of Investment Opportunities. The Advisers' origination strategy includes leveraging a network of relationships in the Midwest, including corporate executives, investment bankers, lawyers, accountants, brokers and other financial intermediaries that provide the Partnerships with consistent deal flow. Through this network, the Advisers seek to identify sound, profitable businesses that can be grown and improved to "institutional quality" companies that will be more attractive to future strategic and private equity buyers.

Rigorous Analysis and Due Diligence. With respect to the investment opportunities that the Advisers pursue actively, the Advisers engage in in-depth discussions with management and conduct rigorous due diligence, arriving at a limited number of investments that become portfolio companies of the Partnerships. As part of the due diligence process, the Advisers carefully analyze the cash flow dynamics and numerous other key attributes of each investment opportunity, including potential areas of growth, profit optimization, capital requirements, competitive threats and the management needs of each company.

Managing Investments. For each investment, the Advisers and portfolio company management formulate and agree on a strategy to enhance value at the beginning of their partnership. Once strategies have been established, the Advisers believe that it is the responsibility of a portfolio company's management team to execute the plan and the Advisers' responsibility to actively review progress and determine effectiveness of the plan. The Advisers practice a model of "engaged ownership," by providing strategic planning and oversight, financial oversight, and Board of Director advice (plan review, major capital expenditure approvals, management selection, audit and finance committees, compensation plans, etc.). The Advisers' activities on behalf of the portfolio companies include (a) reviewing of product and geographic growth initiatives; (b) reviewing of international outsourcing and growth opportunities; (c) evaluating add-on acquisitions or divestitures; (d) assessing the performance of Chief Executive Officers; (e) assisting in the hiring or replacement of key members of senior management; (f) negotiating with debt partners; (g) assisting with upgrades to financial reporting packages, information technology systems, and facilities; and (h) overseeing company sale or liquidity events. The Advisers also undertake a review of weekly and monthly reports and seek to establish a channel of frequent, interactive communication with company management.

Realization of Liquidity. The Advisers believe that the timing and approach for each exit is unique and should be planned throughout the life of an investment. Several factors, including management team depth and commitment, financial performance, business cycle timing, capital expenditure plans, competitive positioning, growth opportunities, status of operating enhancements, strength and availability of logical buyers and general market and industry conditions all influence decisions as to the timing of exit.

Risks of Investment

A Partnership and its investors bear the risk of loss that the applicable Advisers' investment strategy entails. The risks involved with the Advisers' investment strategy and an investment in a Partnership are detailed in the Partnership's Memorandum. In general, the risks applicable to each Partnership include, but are not limited to:

Business Risks. The Partnership's investment portfolio will consist primarily of securities issued by privately held companies, 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.

Future and Past Performance. The performance of the Advisers' prior investments is not necessarily indicative of the Partnership's future results. While the General Partner intends for the Partnership to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that positive returns will be achieved. On any given investment, loss of principal is possible.

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

Concentration of Investments. The Partnership will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment or within a short period of time. As a result, the Partnership's investment portfolio could become highly concentrated, and the performance of a few holdings or of a particular industry may substantially affect the Partnership's aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, the Partnership may invest in fewer portfolio companies and thus be less diversified.

Lack of Sufficient Investment Opportunities. The business of identifying, structuring and completing private equity and related subordinated debt transactions is highly competitive and involves a high degree of uncertainty. It is possible that the Partnership will never be fully invested if enough sufficiently attractive investments are not identified. However, regardless of the extent to which the Commitments of the limited partners are invested (or drawn down to be invested), limited partners will be required to bear Management Fees through the Partnership's investment period based on the entire amount of the limited partners' Commitments and other expenses as set forth in the Partnership Agreement.

Illiquidity; Lack of Current Distributions. An investment in a Partnership 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 return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. 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 a Partnership (including any Management Fee payable) may exceed its income, thereby requiring that the difference be paid from the Partnership's capital, including unfunded Commitments.

Leveraged Investments. A Partnership is permitted to make use of leverage by having a portfolio company or intermediate entity incur debt to finance a portion of its investment. Leverage generally magnifies both the Partnership's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired amount of leverage. The use of leverage also imposes restrictive financial and operating covenants on a portfolio company, in addition to the burden of debt service, and will constrain its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of the Partnership's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate, and magnify declines in the value of the Partnership's investments in the leveraged portfolio companies in a down market. These risks generally are expected to increase as interest rates rise, including in circumstances where a portfolio company's creditworthiness is such that it must borrow at higher interest rates than are available to the Partnership. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, the Partnership may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the Partnership. Furthermore, should the credit markets be limited or costly at the time the Partnership determines that it is desirable to sell all or a part of a portfolio company, the Partnership may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the companies in which the Partnership will invest generally will not be rated by a credit rating agency. Except where otherwise required by the relevant Partnership Agreement, the Partnership will not be obligated to borrow on behalf of a portfolio company, even in circumstances where the Partnership's creditworthiness would permit borrowing at a lower rate than is available to the portfolio company.

The Partnership generally is permitted to incur leverage on a joint, several, joint and several or cross-collateralized basis with one or more other Partnerships and entities managed by the Management Company or any of its affiliates, including through Partnership subsidiaries and other intermediate entities, and may have a right of contribution, subrogation or reimbursement from or against such entities. It is also possible that certain co-investors (including management, any roll-over investors and/or third-party co-investors) will not share in incurring such leverage and that the Partnership will disproportionately bear the risk and/or costs of leverage arrangements. In addition, to the extent a Partnership incurs leverage (or provides such guaranties), such amounts are permitted to be secured by Commitments made by such Partnership's investors and such investors' contributions may be required to be made directly to the lenders instead of such Partnership.

Restricted Nature of Investment Positions. Generally, there will be no readily available market for the Partnership's investments and hence, most of the Partnership's investments will be difficult to value. Certain investments may be distributed in kind to the partners and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such partners. After a distribution of securities is made to the partners, many partners may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such partners may be lower than the value of such securities determined pursuant to the Partnership

Agreement, including the value used to determine the amount of carried interest available to the General Partner with respect to such investment.

Projections. Projected operating results of a company in which the Partnership 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. 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.

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

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

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

Additional risks of non-U.S. investments include: (a) economic dislocations in the host country; (b) less publicly available information; (c) less well-developed and/or more restrictive

laws, regulations, regulatory institutions and judicial systems; (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction; (e) civil disturbances; (f) government instability; and (g) nationalization and expropriation of private assets. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

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

Non-Controlling Investments. The Partnership may hold meaningful minority stakes in privately held companies. In addition, during the process of exiting investments, the Partnership at times may hold minority equity stakes of any size such as might occur if portfolio holdings are taken public. As is the case with minority holdings in general, such minority stakes which the Partnership may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. Where the Partnership holds a minority stake, it may be more difficult for the Partnership to liquidate its interests than it would be had the Partnership owned a controlling interest in such company. Even if the Partnership has contractual rights to seek liquidity of the Partnership's minority interests in such companies, it may be very difficult to sell such interests or seek a sale of such company upon terms acceptable to the Partnership, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals.

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 and/or military conflicts, localized or global financial crises, viral or disease outbreaks or epidemics or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of the Partnership and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by the Partnership and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon the Partnership's portfolio companies.

Public Health Emergencies. Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, Ebola and

COVID-19, have and are resulting in market volatility and disruption, and future such emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to the Partnership.

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

The ultimate impact of any such health emergency— and the resulting precipitous decline in economic and commercial activity across several of the world’s largest economies — on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict, but could have a significant adverse impact and result in significant losses to the Partnership. The extent of the impact on the Partnership’s 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 may limit the ability of the Partnership 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 Partnership intends to pursue, all of which could adversely affect the Partnership’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 Partnership, its portfolio companies, the General Partner and the Management Company may be significantly impacted, or even temporarily or permanently halted, as a result of any such health emergencies, or any measures, restrictions, remote-working requirements and other factors related thereto, including its potential adverse impact on the health of any such entity’s personnel. These measures may also hinder such entities’ ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

Limited Access to Information. Limited partners’ rights to information regarding a Partnership, the relevant General Partner or the Advisers generally will be specified, and in many cases strictly limited, by the Partnership Agreement. In particular, it is anticipated that the General

Partner and its affiliates will obtain certain types of material information from or relating to a Partnership's investments that will not be disclosed to limited partners because such disclosure is prohibited, including as a result of contractual, legal or similar obligations outside of Stone Arch's control. Decisions by Stone Arch or its affiliates to withhold information may have adverse consequences for limited partners in a variety of circumstances. For example, a limited partner that seeks to transfer its interest in a Partnership may have difficulty in determining an appropriate price for such interest. Decisions to withhold information may also make it difficult for a limited partner to monitor Stone Arch and its performance. Additionally, it is anticipated that limited partners that designate representatives to participate on a Partnership's advisory board generally may, by virtue of such participation, have more or earlier information about a Partnership and its investments in certain circumstances than other limited partners. Limited partners generally will bear the expenses of responding to disclosure requests, including in connection with state public records, similar freedom of information and other laws, whether or not the relevant Partnership succeeds in asserting confidentiality for requested documents and other materials, and Stone Arch reserves the right to withhold certain information from investors subject to such laws for reasons relating to Stone Arch's public reputation, business strategy or other reasons.

Material Non-Public Information. As a result of the operations of the Advisers and their affiliates, as well as in connection with officerships or directorships of Stone Arch personnel, the Advisers frequently come into possession of confidential or material non-public information. Therefore, the Advisers and their affiliates may have access to material, non-public information that may be relevant to an investment decision to be made by a Partnership. Consequently, a Partnership 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 Advisers' internal policies. Due to these restrictions, a Partnership may not be able to make an investment that it otherwise might have made or sell an investment that it otherwise might have sold.

Financial Institution Risk; Distress Events. An investment in the Partnership is subject to the risk that one of the banks, brokers, counterparties, clearinghouses, exchanges, lenders or other custodians (each, a "**Financial Institution**") of some or all of the Partnership's (or any portfolio company's) assets fails to timely perform or otherwise defaults on its obligations or experiences insolvency, closure, seizure, receivership or other financial distress or difficulty, similar to that experienced by Silicon Valley Bank and Signature Bank in March 2023 (each, a "**Distress Event**"). Distress Events can be caused by factors including eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance, undercapitalization, market forces or accounting irregularities. If a Financial Institution experiences a Distress Event, the Management Company, the General Partner, the Partnership and/or any of the portfolio companies may be unable to access deposits, borrowing facilities or other services, either permanently or for an indeterminate period of time. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by organizations such as the Federal Deposit Insurance Corporation, in the case of banks, and the Securities Investor Protection Corporation, in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of total loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose potentially increased risk of loss. While in recent years governmental intervention has often resulted in additional protections for depositors and counterparties in connection with Distress Events, there can be no assurance that any intervention will occur, be successful or avoid

the risks of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

Any Distress Event has a potentially adverse effect on the ability of the Management Company to manage the Partnership and its investments, and on the ability of the Management Company, the Partnership or any portfolio company to maintain operations, which in each case could result in operational burdens, significant losses and unconsummated investment acquisitions and dispositions. Such losses could include: a loss of funds; an obligation to pay fees and expenses in the event the Partnership is unable to close a transaction (whether due to the inability to draw capital on a credit line provided by a Financial Institution experiencing a Distress Event, the inability of the Partnership to access capital contributions or otherwise); the inability of the Partnership to acquire or dispose of investments, including at prices that the General Partner believes reflect the fair value of such investments; and/or the inability of the Management Company or portfolio companies to make payroll, fulfill obligations and/or maintain operations. If a Distress Event leads to a loss of access to a Financial Institution's services, it is also possible that the Management Company will experience operational burdens and expenses, and the Partnership or a portfolio company will incur additional expenses and/or delays in putting in place alternative arrangements and/or that such alternative arrangements will be less favorable than those formerly in place (with respect to economic terms, service levels, access to capital or otherwise). There can be no assurance that the Management Company will be able to exercise contractual remedies under the agreements with Financial Institutions in the event of a Distress Event, or that such remedies will be successful or avoid losses, delays or other negative impacts. The Partnership and its portfolio companies are subject to additional risks in the event a Financial Institution utilized by investors of the Partnership or suppliers, vendors, service providers or other counterparties of a portfolio company become subject to Distress Events, which could have a material adverse effect on the Partnership, its investors or such portfolio companies, including the risk of investor defaults.

Hedging Arrangements; Related Regulations. A General Partner is authorized (but not obligated) to endeavor to manage a Partnership's or any portfolio company's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. A Partnership may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter ("OTC") contexts, including futures, forwards, swaps, options and other instruments. 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 such Partnership to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose a Partnership to additional liquidity risks if such contracts cannot be adequately settled. Certain hedging arrangements may create for a General Partner and/or one of its affiliates an obligation to register with the U.S. Commodity Futures Trading Commission (the "CFTC") or other regulator or comply with an applicable exemption. Losses may result to the extent that the CFTC or other regulator imposes position limits or other regulatory requirements on such hedging arrangements, including under circumstances where the ability of a Partnership or a portfolio company to hedge its exposures becomes limited by such requirements.

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

Valuation of Investments. Generally, the relevant General Partner will determine the value of all the related Partnership's investments for which market quotations are available based on publicly available quotations. However, market quotations will not be available for virtually all of a Partnership's investments because, among other things, the securities of portfolio companies held by such Partnership generally will be illiquid and not quoted on any exchange. Each General Partner will determine the value of all the relevant Partnership's investments that are not readily marketable based on ASC 820 guidelines as promulgated by the Financial Accounting Standards Board and any subsequent valuation guidelines required of an investment fund reporting under generally accepted accounting principles as promulgated in the United States. There can be no assurance that the relevant General Partner will have all the information necessary to make valuation decisions in respect of these investments, or that any information provided by third parties on which such decisions are based will be correct. There can be no assurance that the valuation decision of a General Partner with respect to an investment will represent the value realized by the relevant Partnership on the eventual disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation. Accordingly, the valuation decisions made by such General Partner may cause it to ineffectively manage the relevant Partnership's investment portfolios and risks, and may also affect the diversification and management of such Partnership's portfolio of investments.

Cybersecurity Risks. Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject, particularly operating companies in historically vulnerable industries such as the food services and retail industries. To the extent that a portfolio company, Partnership, Adviser or one or more of their respective service providers is subject to cyber-attack or other unauthorized access is gained to their systems, substantial losses may occur in the form of stolen, lost or corrupted: (i) data or payment information; (ii) financial information; (iii) software, contact lists or other databases; (iv) proprietary information or trade secrets; or (v) other items. If technology systems are compromised, become inoperable for extended periods of time or cease to function properly, the Management Company, the General Partners, the Partnerships and/or portfolio companies 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 Management Company's, the

General Partners', the Partnerships', portfolio companies' and/or service providers' 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). 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, and the risks of attack are expected to be heightened in remote work environments. Any of such circumstances could subject a portfolio company, or the relevant Partnership, to substantial losses, including losses relating to: misappropriation of assets, intellectual property or confidential information; corruption, deletion or destruction of data; physical damage and repairs to systems; reputational harm; financial losses from remedial actions; and/or disruption of operations. Third parties, including activist, criminal, nation-state or terrorist actors, may also attempt fraudulently to induce portfolio companies or their personnel to disclose sensitive information (including passwords) in order to gain access to data, accounts, funds or other assets, or otherwise to inflict harm. In addition, in the event that such a cyber-attack or other unauthorized access is directed at an Adviser or one of its service providers holding its financial or investor data, such Adviser, its affiliates or the Partnerships may also be at risk of loss.

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

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

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

Conflicts of Interest

The Advisers and their related entities engage in a broad range of advisory and non-advisory activities. The Advisers will devote such time, personnel and internal resources as are necessary to conduct the business affairs of the Partnerships in an appropriate manner, as required by the relevant Partnership Agreements, although the Partnerships and their respective investments will place varying levels of demand on these over time. In the ordinary course of conducting such activities, the interests of a Partnership likely will conflict with the interests of the Advisers, one or more other Partnerships or Private Investment Funds, portfolio companies or their respective affiliates in certain circumstances. Certain of these conflicts of interest are discussed herein. As a general matter, each Adviser will determine all matters relating to structuring transactions and Partnership operations using its best judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the Limited Partner Committees of the participating Partnerships.

During the investment period of a given Partnership, all appropriate investment opportunities will be pursued by the Advisers through such Partnership, subject to certain limited exceptions. At any given time, the Management Company and its affiliates will typically manage several other Private Investment Funds in addition to a given Partnership, which are likely to include investments similar to those in which it will be investing or have investments in portfolio companies in the form of securities or other investments that are not the principal focus of such Partnership, and expect to direct certain relevant investment opportunities or resources to those Private Investment Funds and with respect to such investments. The Management Company's principals and investment staff will continue to manage and monitor the investments of such Private Investment Funds until their realization. The portfolio company investments of such other Private Investment Funds have the potential to compete with companies acquired by a given Partnership. Following the investment period of a given Partnership, the Management Company's principals reserve the right to, and likely will, focus their investment activities on other opportunities and areas unrelated to such Partnership's investments while continuing to monitor such Partnership's investments with an eye towards increasing value and seeking realization. To the extent an investment opportunity is received that is unsuitable for any Partnership, in the Management Company's sole discretion, the Management Company and its personnel reserve the right to refer such opportunity to third parties or to make personal investments in the relevant opportunity. Management Company personnel are permitted to serve on boards or act in other roles unaffiliated with the Management Company, the Partnerships or their portfolio companies, including boards of charitable and educational institutions, public companies and former portfolio companies, and receive compensation in connection with such services and roles, none of which will offset or otherwise reduce Management Fees.

From time to time, the Management Company will be presented with investment opportunities that would be suitable not only for a given Partnership, but also for other Private Investment Funds. In determining which investment vehicles should participate in such investment opportunities, the Management Company and its affiliates are subject to conflicts of interest among the investors in such investment vehicles. Except as required by the relevant Partnership Agreement and/or Memorandum, Stone Arch is not obligated to recommend any investment to any particular investment vehicle. Investments by more than one client of the

Advisers in a portfolio company also have the potential to raise the risk of using assets of a client of the Advisers to support positions taken by other clients of the Advisers.

In general, the Management Company must first determine which Partnerships will, or are required to, participate in the relevant investment opportunity. The Management Company generally assesses whether an investment opportunity is appropriate for a particular Partnership based on its Partnership Agreement, as well as factors including but not limited to: investment and operating guidelines, diversification limitations, tax and regulatory considerations, minimum dollar limits, risk, strategies, life-cycle and structure. For example, a newly organized Partnership generally will seek to purchase a disproportionate amount of investments until it is substantially invested. Following such determination of allocation among Partnerships, the Management Company reserves the right to offer co-investment opportunities to one or more potential co-investors (including third parties), as determined by the applicable Partnership Agreements, Side Letters and the Advisers' Investment Allocations/Co-Investment Policy. The Advisers' Investment Allocations/Co-Investment Policy permits the Management Company to take into consideration a variety of factors in making such determinations, including but not limited to: conflicts provisions in the relevant Partnership Agreements, investment and operating guidelines, diversification limitations, tax and regulatory considerations (e.g., qualified purchaser status), minimum dollar limits, expertise of the prospective co-investor in the industry to which the investment opportunity relates; perceived ability to quickly execute on transactions and other relevant factors, including risk. Allowing any co-investment generally reduces the amount of the relevant investment opportunity that theoretically could have been taken by the relevant Partnership, and the Management Company expects to be subject to potential conflicts of interest in determining the amount of investment opportunity that should be allocated to the relevant Partnership because (i) co-invest opportunities generally appeal to Partnership investors and third parties, (ii) to the extent co-investments made by Partnership investors are not subjected to Management Fees and/or performance-based compensation, co-investments blend the effective rates of compensation paid by such persons in a manner not subject to the "most-favored nation" provisions of the applicable Partnership Agreement and (iii) co-investors' proportionate share of a particular investment typically is not subject to the Management Fee offset provisions of a the applicable Partnership Agreement. In order to facilitate the acquisition of a portfolio company, a Partnership reserves the right to make (or commit to make) an investment in the company with a view to selling a portion of the investment to co-investors or other persons prior to or following the closing of the acquisition. In such event, the relevant Partnership will bear the risk that any or all of the excess portion of such investment may not be sold or may only be sold on unattractive terms, including for example the risk that a portion of the investment will be syndicated at reduced cost, at cost, or at a lower amount at a time when the General Partner believes the value of such investment has appreciated or should be higher than that paid (or willing to be paid) by a co-investor. To the extent such a syndication is made, the General Partner's interest in limiting the Partnership's exposure to a given investment while providing a potential benefit to co-investors investing at such lower values will give rise to a potential conflict of interest. As a consequence of a failed co-investment syndication process or a co-investment syndication on unattractive terms, the relevant Partnership would be required to (i) bear the entire portion of any break-up, topping or other fees, costs and expenses related to such investment (including the proportionate share of such amounts that were expected to have been borne by co-investors), (ii) hold a larger-than-expected investment in such portfolio company, (iii) receive less-than-fair-market value for the syndicated portion of the investment and/or (iv) be diluted or realize lower than expected returns from such investment.

When and to the extent that employees and related persons of the Advisers and their affiliates make capital investments in or alongside certain Partnerships or Private Investment Funds, the Advisers and their affiliates are subject to conflicting interests in connection with these investments. There can be no assurance that any Partnership's or other Private Investment Fund's return from a transaction would be equal to and not less than another Partnership or Private Investment Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed. The Management Company attempts to resolve such conflicts of interest in light of its obligations to investors in its Private Investment Funds and the obligations owed by its advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among a Partnership, other Private Investment Funds and such investment vehicles in a fair and equitable manner under the circumstances over time. Where necessary, the Advisers consult and receive consent to conflicts from the Limited Partner Committee.

The allocation of investment opportunities among the persons and in the manner discussed herein often will not result in proportional allocations among such persons, and such allocations likely will be more or less advantageous to some such persons relative to others. While each Adviser will allocate investment opportunities in a manner that it believes is fair and equitable to its clients under the circumstances over time and considering relevant factors, there can be no assurance that a Partnership's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the potential conflicts of interest to which such Adviser expects to be subject, discussed herein, did not exist.

Subject to any relevant restrictions or other limitations contained in the Partnership Agreements, each Adviser will allocate fees and expenses in a manner that it believes is fair and equitable to its clients under the circumstances over time and considering such factors as it deems relevant, but in any case, in its sole discretion. In exercising such discretion, such Adviser expects to be faced with a variety of potential conflicts of interest.

As a general matter, Partnership expenses typically will be allocated among all relevant Partnerships or co-investment vehicles eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions generally will be made by the applicable Adviser or its affiliates using their reasonable judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses potentially will not be proportional, and any such determinations involve inherent matters of discretion, e.g., in determining whether to allocate pro rata based on number of Partnerships or co-investment vehicles receiving related benefits or proportionately in accordance with asset size, or in certain circumstances determining whether a particular expense has greater benefit to a Partnership or the Advisers. The Partnerships generally have different expense reimbursement terms, including with respect to Management Fee offsets, which is expected from time to time to result in the Partnerships bearing different levels of expenses with respect to the same investment.

In certain cases, Stone Arch will have the opportunity (but, subject to any applicable restrictions or procedures in the relevant Partnership Agreement, no obligation) to identify one or more secondary transferees of interests in a Partnership. In such cases, Stone Arch will use its discretion to select such transferees based on suitability and other factors and, unless required by the relevant Partnership Agreement, will determine in its sole discretion whether the opportunity

to receive a transfer of Partnership interests should be offered to one or more existing Partnership investors and/or affiliates of the Advisers.

As a result of the Partnerships' controlling interests in portfolio companies, the Advisers and/or their affiliates typically have the right to appoint portfolio company board members (including current or former Adviser personnel or persons serving at their request), or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members approve compensation and/or other amounts payable to the Advisers and/or their affiliates. Unless such amounts are subject to the Partnership Agreements' offset provisions, they will be in addition to any Management Fees or carried interest paid by a Partnership to its General Partner.

The Advisers, their affiliates, equity holders, officers, principals and employees of the Advisers and their affiliates reserve the right to buy or sell securities or other instruments that the Advisers have recommended to a Partnership. In addition, officers, principals and employees reserve the right to buy securities in transactions offered to but rejected by a Partnership, and will not in such circumstances be required to share in or reimburse the relevant Partnership for due diligence or other expenses (including Broken Deal Expenses) incurred by the Partnership in connection with the Partnership's consideration of the relevant investment opportunity. Any such transactions are subject to any restrictions in the applicable Partnership Agreement and any related policies and procedures set forth in the Code of Ethics (as defined below). The investment policies, fee arrangements and other circumstances of these investments generally vary from those of any Partnership.

Stone Arch reserves the right from time to time to cause a Partnership to enter into a transaction whereby the Partnership purchases securities from, or sells securities to, other Partnerships managed by Stone Arch, or co-investors or co-investment vehicles. Such transactions may arise in the context of automatic or other re-balancing of an investment among parallel investing entities or in contexts where a portfolio company owned by one Partnership is acquired by another Partnership or portfolio company owned by another Partnership. Certain of such transactions raise potential conflicts of interest, including where the investment of one Partnership supports the value of portfolio companies owned by another Partnership. 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 Partnerships' Partnership Agreements or otherwise in the sole discretion of Stone Arch, Stone Arch reserves the right to seek to mitigate such conflicts by seeking input from an unaffiliated third party (including the use of a consultant or investment banker to opine as to the fairness or "arm's-length" nature of a purchase or sale price, whether or not part of a formal fairness opinion, "request for proposal" process, or proposal or quotation provided exclusively for the benefit of the Management Company) and/or by obtaining the consent of the relevant Partnership(s) (including, where authorized, the consent of each Partnership's Limited Partner Committee) to such transactions. In certain circumstances, Stone Arch reserves the right to determine that the willingness of a third party to make an investment on the same terms demonstrates the fairness of the relevant transaction (including its value) to the Partnership under then-current market conditions. Stone Arch intends that any such transactions be conducted in a manner that it believes to be fair and equitable to each Partnership under the circumstances,

including a consideration of the potential present and future benefits with respect to each Partnership.

Although Stone Arch generally structures Partnerships to avoid circumstances in which one Partnership ultimately bears liability for all or part of the obligations of another Partnership or any Stone Arch affiliate, in certain circumstances lenders and other market parties negotiate for the right to face only select Partnership entities, which may result in a single Partnership being solely liable for other Partnerships' share of the relevant obligation and/or joint and several liability among Partnerships. In such case, Stone Arch intends to cause the relevant other Partnerships to enter into a back-to-back guarantee, indemnification or similar reimbursement arrangement, although the Partnership undertaking the obligation in the first instance generally will not receive compensation for being primarily liable under these arrangements. In other circumstances, lenders and other market participants are expected to seek "cross default" rights under which a Partnership will be treated as in default under the relevant facility in the event of a default by another Partnership or a Management Company affiliate relating to their respective lending or other facilities; if any such provision were to be triggered, a Partnership's limited partners could suffer adverse effects resulting from any default by any Partnership or a Management Company affiliate, whether or not related to the Partnership in which such limited partners have invested.

Because certain expenses are paid for by a Partnership and/or its portfolio companies or, if incurred by the Advisers, are reimbursed by a Partnership and/or its portfolio companies, the Advisers have a weaker incentive to seek out the lowest cost options when incurring (or causing a Partnership or its portfolio companies to incur) such expenses.

In connection with its services to the Partnerships and their investments, Stone Arch, its affiliates and personnel expect to receive the benefit of certain tangible and intangible benefits. For example, in the course of Stone Arch's operations, including research, due diligence, investment monitoring, operational improvements and investment activities, Stone Arch and its personnel expect to receive and benefit from information, "know-how," experience, analysis and data relating to Private Investment Fund or portfolio company (as applicable) operations, terms, trends, market demands, customers, vendors and other metrics (collectively, "**Stone Arch Information**"). In many cases, Stone Arch Information will include tools, procedures and resources developed by Stone Arch to organize or systematize Stone Arch Information for ongoing or future use. Although the Management Company expects the Partnerships and their portfolio companies generally to benefit from the Advisers' possession of Stone Arch Information, it is possible that any benefits will be experienced solely by other or future Private Investment Funds or portfolio companies (or by Stone Arch and its personnel) and not by the Private Investment Fund or portfolio company from which Stone Arch Information was originally received. Stone Arch Information will be the sole intellectual property of Stone Arch and solely for the use of Stone Arch. Stone Arch reserves the right to use, share, license, sell or monetize Stone Arch Information, without offset to Management Fees, and the relevant Private Investment 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 Partnerships or portfolio companies are expected to be charged using credit cards or other widely available third-party rewards programs that provide airline miles, hotel stays, travel rewards, traveler loyalty or status programs, "points," "cash back," rebates, discounts and other arrangements, perquisites and benefits under the available terms of such reward programs. Such terms are expected to vary from time to time,

and any such rewards (whether or not *de minimis* or difficult to value) generally will inure to the benefit of the personnel participating in the rewards program, rather than the portfolio companies, the Partnerships or their respective investors; no such rewards will offset Management Fees.

Each Adviser generally exercises its discretion to recommend to a Partnership or to a portfolio company thereof that it contract for products or services with certain service providers, and from time to time such service providers are expected to include: (i) the Adviser or a related person of the Adviser (which may include a portfolio company of such Partnership); (ii) an entity with which the Adviser or its affiliates or current or former members of their personnel has a relationship or from which the Adviser or its affiliates or their personnel otherwise derives financial or other benefit; or (iii) certain limited partners or their affiliates. For example, the Adviser expects to be presented with opportunities to receive financing and/or other services in connection with a Partnership's investments from certain limited partners or their affiliates that are engaged in lending or related business. In most cases involving portfolio company services, the relevant Partnership(s) will not consent, participate in the negotiations or be directly involved in such arrangements. This discretion subjects the Adviser to conflicts of interest, because although the Adviser selects service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the relevant Partnership, the Adviser has a potential incentive to recommend the related or other person (including a limited partner) because of its financial or other business interest, such as maintaining goodwill between it and its former, existing and prospective portfolio companies. There is a possibility that the Adviser, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Partnerships or the Adviser), would favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Although the Adviser generally seeks appropriate rates for services, it reserves the right to prioritize prior usage, perceived quality, sector competence or expertise, familiarity, onboarding speed or other factors in retaining or recommending service providers. Additionally, from time to time the Management Company expects certain service providers, their affiliates and personnel to invest in, or co-invest alongside, one or more Partnerships, and due to the nature of the service provider relationships these persons have the potential to have information advantages relative to other investors or co-investors. Whether or not the Adviser has a relationship or receives financial or other benefit from recommending a particular product or service provider, there can be no assurance that no other product or service provider is more qualified to provide the applicable services or could provide such products or services at higher quality or lesser cost.

In addition, as described above, portfolio companies (and, to a lesser extent, the Partnerships) on occasion pay certain fees to, and reimburse expenses of, operating partners and other third party consultants (including consultants introduced or arranged by the Advisers and/or their affiliates that potentially provide services on a regular basis to one or more portfolio companies or prospective portfolio companies) and/or affiliates of the Advisers, which may take the form of cash, portfolio company securities, and/or an economic interest in the portfolio company, a Partnership, a General Partner, or an affiliate thereof, among other forms. Such fees do not offset or reduce the Management Fee as described herein, though the Adviser will on occasion cause fees paid to affiliates to reduce monitoring fees paid to the Advisers. Operating partners generally make use of the Advisers' resources or otherwise are associated with the Advisers. Operating partners are expected from time to time to include former employees of Stone

Arch or certain portfolio companies, and in some circumstances former operating partners are expected to become Stone Arch employees or employees of portfolio companies. Consequently, the determination of whether individuals are operating partners is expected to vary and/or be revisited from time to time, which poses potential conflicts of interest where certain changes in status or categorization would reduce costs that Stone Arch otherwise would be required to bear. The use of operating partners is expected to fluctuate and/or expand over time. To the extent that operating partners are paid retainers or guaranteed minimum compensation amounts, there is the possibility that certain portfolio companies or Partnerships will bear a greater share of such compensation due to the utilization of the operating partner's services at a time when fewer portfolio companies or Partnerships make use of such operating partner. Under many of these arrangements, there can be no assurance that the amount of compensation paid in a particular year will be proportional to the amount of hours worked or the amount or tangible work product generated by the operating partner. Although the use of operating partners and affiliates and the allocation of compensation paid to them by the Advisers, their affiliates and/or the portfolio companies subjects the Advisers and/or their affiliates to potential conflicts of interest, the Advisers believe that such potential conflicts are reduced in certain cases by the anticipated cost savings to portfolio companies (which is expected to be to the benefit of the applicable Partnership(s)) that will result if the cost of such operating partner and/or affiliate is lower than market rates for the services provided and/or if the services provided by such operating partner and/or affiliate align with the Advisers' model for the portfolio company and improve portfolio company performance. Although the Advisers seek to retain operating partners and/or affiliates with a view to reducing costs to portfolio companies and, ultimately, the Partnerships, a number of factors may result in limited or no cost savings from such retention. The Advisers also seek to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that the Advisers believe will align such persons' interests with those of the Partnerships' limited partners, and seek to retain only operating partners and service providers which they believe provide a level of service at a value generally consistent with other relevant market alternatives. However, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

The Advisers reserve the right to, on occasion, cause a Partnership to establish or invest in platform companies or similar platform investments that seek to acquire interests in other companies and/or assets. While the relevant Partnership would typically be involved in the strategy and oversight of any platform investment, a platform investment typically would retain its own management team to operate, administer and manage the platform on a daily basis. In such cases, the relevant Partnership generally will directly or indirectly bear the expenses related to developing and operating the platform investment, including overhead expenses (such as real estate, technology, salaries, bonuses and incentive-based compensation (e.g., equity, a profits interest, options and warrants)), investment sourcing and diligence expenses, transaction fees and other related expenses. Such expenses generally will not offset any Management Fee paid by the Partnership. Such platform investments have the potential to create conflicts of interest. For example, management teams sometimes provide services that are similar to, and overlap with, services provided by the Adviser and its personnel to the Partnership, and certain Adviser professionals are expected to serve on the boards of, or otherwise provide services to, platform investments. Because the Advisers (and not the Partnership) otherwise generally pay the salaries of their employees, the Advisers have an incentive to cause a platform investment to retain its own

management team instead of relying on Adviser employees to provide managerial services. In addition, the Advisers generally will have the ability to influence significantly the form and amount of compensation paid to such management teams. Members of platform investment management teams also could potentially render services exclusively to the platform or provide the same or similar services to other Private Investment Funds and/or portfolio companies.

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

Except to the extent prohibited by the applicable Partnership Agreements, Stone Arch and its personnel are permitted to market, organize, sponsor or act in other capacities (including as director, founder or manager) for other pooled investment vehicles, accounts or special purpose acquisition companies ("SPACs") the investment or business strategy of which does not overlap with the applicable Partnerships and to receive compensation (including in the form of management fees, performance-based compensation, founders' equity or similar interests) relating thereto. Subject to any limitations imposed by the applicable Partnership Agreements and anti-"assignment" provisions of the Advisers Act, Stone Arch and its personnel are also permitted to offer, restructure and monetize interests in Stone Arch.

Because there is a fixed investment period after which capital from investors in a Partnership may only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of a Partnership, based upon capital invested by such Partnership, this fee structure creates an incentive to deploy capital when the General Partner may not otherwise have done so.

Since the General Partners and/or their affiliates are permitted to retain certain Supplemental Fees (as described under "Fees and Compensation") in connection with Partnership investments, the Advisers expect to be subject to a potential conflict of interest in connection with approving transactions and setting such compensation. In many cases, Supplemental Fees are based on enterprise value or other metrics relating to a portfolio company, but also have the potential to be charged on a flat-fee basis or based on another metric, and there can be no assurance

that the amount of Supplemental Fees charged will be proportional to the amount of hours of work performed or tangible work product generated on behalf of the portfolio company. The General Partners attempt to resolve such conflict by offsetting the Management Fee by a specified percentage of such Supplemental Fees.

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, Stone Arch reserves the right to accrue, defer or forego payments of Supplemental Fees. In such cases, in accordance with the applicable Partnership Agreements, investors will not receive the benefit of Management Fee offsets with respect to such amounts until they are actually received.

The Adviser and/or its affiliates reserve the right to enter into Side Letters with certain investors in a Partnership providing such investors with different or preferential rights or terms, including but not limited to different fee structures or arrangements (including discounted or rebated compensation terms, modified waterfall mechanics and/or receipt of a portion of the Management Company's compensation), information rights, specialized reporting, priority co-investment rights or targeted co-investment amounts, rights to serve on the Partnership's advisory committee, liquidity or transfer rights, confidentiality protections and disclosure rights, modification of default remedies, and economic procedural and other terms, many of which will not be subject to the "most-favored nation" provisions of the applicable Partnership Agreement.

The Management Company is likely to have its own economic and/or other business incentives to provide certain terms to certain limited partners, *e.g.*, based on commitment amount to a Partnership or the timing thereof, the ability of a limited partner to provide sourcing of investment opportunities or other services to the Management Company, its affiliates and personnel or the Partnerships, or the potential to establish, recognize, strengthen or cultivate relationships that have the potential to provide longer-term benefits to the Management Company, its affiliates and personnel, or the Partnerships. Further, Side Letters may also relate to strategic relationships under which an investor agrees to make Commitments to multiple Partnerships. Except where required by the Partnership Agreement, 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 Partnership, the Management Company, the relevant General Partner or any of their affiliates in the event that certain investors have received additional and/or different rights and/or terms as a result of such Side Letters. Side Letters subject the Management Company to potential conflicts of interest, including in circumstances where an investor's right to serve on the relevant Partnership's advisory committee results in the investor receiving additional information relative to other investors. To the extent an investor is subject to statutory or other limitations on indemnification, or otherwise negotiates rights relating thereto, other investors may be subject to increased losses, or be required to bear an increased portion of indemnification amounts. Other Side Letter rights are likely to confer benefits on the relevant limited partner at the expense of the relevant Partnership or of limited partners as a whole, including in the event that a Side Letter confers additional reporting, information rights and/or transfer rights, the costs and expenses of which are expected to be borne by the relevant Partnership.

As a consequence of one or more limited partners being excused or excluded, or from regulatory, tax or other factors altering or limiting their participation in investments or ability to

bear certain liabilities or obligations, the aggregate returns realized by participating or non-participating limited partners could be adversely affected in a material manner by the unfavorable performance of particular investments; similar considerations apply in the event a limited partner defaults on a drawdown in respect of an investment. Although the Management Company believes it to be unlikely, excuse or other rights requested or received by one or more limited partners (or such regulatory, tax or other factors applicable to such limited partners) representing a substantial percentage of a Partnership have the potential to create significant variations in limited partner investment returns or exposures to liabilities or obligations, or to influence or affect the investment strategy and pursuit of investment opportunities by the General Partner on behalf of the relevant Partnership 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 relevant Partnership. Further, limited partners with different domiciles or tax categorizations could receive different investment returns or amounts of tax basis and/or pay different levels of expenses, *e.g.*, based on tax savings or ownership of alternative investment vehicle, "blocker" or other structures used to facilitate their investments in, through or below a Partnership.

In the course of conducting due diligence on an investment opportunity, the Advisers expect from time to time to utilize their in-house personnel to perform the accounting due diligence on such investment opportunity rather than engaging an independent accounting firm. The Advisers expect to charge a fee from time to time for these services. The cost of such due diligence is borne by the portfolio company if the transaction is consummated or, if not consummated, by the Advisers. This creates a potential conflict of interest as it provides an incentive to the Advisers to conduct such due diligence internally rather than engaging the services of an independent accounting firm. The Advisers attempt to resolve this conflict of interest by charging rates for their due diligence services that, subject to the applicable Partnership Agreement, they determine in their own discretion are equal to or lower than the rates charged by third party accounting firms. Where such rates or terms include hourly components, Stone Arch reserves the right to rely on approximations or estimates of time spent for purposes of allocating or charging for services. Any methodology, or choice among methodologies, involves potential conflicts of interest.

DISCIPLINARY INFORMATION

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

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

The Management Company is affiliated with each of the General Partners, which are subject to the Advisers Act pursuant to the Management Company's registration in accordance with SEC guidance. The Management Company provides advisory services to the General Partners and other Stone Arch entities pursuant to management agreements. These affiliated investment advisers operate as a single advisory business together with the Management Company and serve as managers or general partners of Private Investment Funds and other pooled vehicles and may share common owners, officers, partners, employees, consultants or persons occupying similar positions.

As previously noted, certain of the owners and employees of the Advisers are the owners and employees of Northern Lakes (the “**NLC Founder Team**”). Northern Lakes provides investment advisory services to pooled investment vehicles using a private equity strategy not unlike that used for one or more of the Partnerships. The NLC Founder Team will for the foreseeable future remain involved in the management of the Partnerships, including with respect to managing their remaining portfolio companies and providing other customary advisory services (tax and reporting). The NLC Founder Team’s involvement in both Stone Arch and Northern Lakes will potentially lead to material conflicts of interest, although it is believed that such conflicts are mitigated by the fact that Stone Arch is no longer raising new pooled investment vehicles or otherwise seeking new advisory clients, all existing Stone Arch Partnerships have completed their investment periods and Stone Arch is organized, managed and run separately from Northern Lakes.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

The Advisers have adopted the Stone Arch Code of Ethics and Securities Trading Policy (the “**Code of Ethics**”), which sets forth standards of conduct that are expected of the Advisers’ principals and employees and addresses conflicts that arise from personal trading. The Code of Ethics requires the Advisers’ personnel to:

- report their personal securities transactions;
- pre-clear any proposed purchase of any initial public offering or limited offering; and
- comply with the policies and procedures reasonably 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 client or prospective client upon request to Stone Arch’s Chief Compliance Officer at (612) 317-2980. 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.

The Advisers and their affiliated persons may come into possession from time to time of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor’s decision to buy, sell or hold a security. Under applicable law, the Advisers and their affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of the Advisers. Accordingly, should the Advisers or any of their affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, the Advisers would be prohibited from communicating such information to clients, and the Advisers 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 Stone Arch personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Partnerships.

Principals and employees of the Advisers and their affiliates generally are expected to directly or indirectly own an interest in one or more Private Investment Funds or certain co-investment vehicles. To the extent that co-investment vehicles exist, such vehicles are expected to invest in one or more of the same portfolio companies as a Partnership. Co-investment opportunities generally are also expected to be presented to certain affiliates of the Advisers, as well as third party investors and other persons, and such co-investments may be effected through co-investment vehicles, directly in a particular portfolio company or through an intermediate entity in a portfolio company's structure. Such co-investment opportunities generally will be allocated in the manner described under "Methods of Analysis, Investment Strategies and Risk of Loss."

The Advisers and their affiliates, principals and employees expect from time to time to carry on investment activities for their own accounts, for personal or employee investment vehicles and, potentially, for family members, friends or others who do not invest in the Partnerships, as well as give advice and recommend securities to other accounts or certain Partnerships or vehicles which may differ from advice given to, or securities recommended or bought for, other Partnerships or vehicles, even though their investment objectives may be the same or similar.

From time to time, the General Partners reserve the right to advance funds on behalf of the Partnerships or the Private Investment Funds and contribute such amounts to the Partnerships (or relevant Private Investment Fund, as applicable) as a special capital contribution for investment, to be redeemed at a later date. Interest in connection with such borrowing typically is borne by the Partnerships (or the relevant Private Investment Fund, as applicable) as a Partnership expense, consistent with the applicable Partnership Agreement and Memorandum.

In borrowing on behalf of a Private Investment Fund, the General Partners are subject to conflicts of interest between repaying their obligations and retaining such borrowed amounts for the benefit of the Private Investment Funds, as applicable. The General Partners will effect such transactions consistent with the General Partners' obligations to the Partnerships and the Partnership Agreement (or other governing document) and in a manner that they believe to be fair and equitable under the circumstances to the Partnerships or Private Investment Fund, as applicable.

BROKERAGE PRACTICES

The Advisers focus on securities transactions of private companies and generally purchase and sell such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, the Advisers reserve the right to distribute securities to investors in a Private Investment Fund or sell such securities, including through using a broker-dealer, if, for example, a public trading market exists. The Advisers have not engaged, and do not intend to regularly engage, in public securities transactions on behalf of a Private Investment Fund, but to the extent they do so, they intend to follow the brokerage practices described below.

If the Advisers purchase or sell publicly traded securities for a Private Investment Fund, they are responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Advisers. In such event, the Advisers will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, the Advisers reserve the right to consider a variety of factors, including: (i) execution capabilities

with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) responsiveness to requests for trade data and other financial information. As a result, although the Advisers generally will seek competitive commission rates, they may not necessarily pay the lowest commission or commission equivalent.

Consistent with the Advisers seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although the Advisers generally do not make use of such services at the current time and have not made use of such services since their inception.

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

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

REVIEW OF ACCOUNTS

The investments made by the Private Investment 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 Advisers closely monitor companies in which the Private Investment Funds invest, and the Stone Arch Chief Compliance Officer periodically checks to confirm that each Private Investment Fund is maintained in accordance with its stated objectives.

The Partnerships will provide to their limited partners (i) audited financial statements annually, (ii) unaudited financial statements for the first three quarters of each fiscal year, (iii) annual tax information necessary for each partner's U.S. tax returns, and (iv) descriptive investment information for each portfolio company quarterly.

CLIENT REFERRALS AND OTHER COMPENSATION

The Advisers and/or their affiliates intend to provide certain business or consulting services to companies in the Partnerships' portfolio and expect to receive compensation from these companies in connection with such services. As described in the applicable Partnership's

Partnership Agreement, this compensation will, in many cases, offset a portion of the Management Fees paid by the Partnerships. However, in other cases (e.g., reimbursements for out of pocket expenses directly related to a portfolio company or due diligence performed by the Advisers in lieu of engaging an independent accounting firm), these fees would be in addition to Management Fees. See “Fees and Compensation.”

The Advisers or their affiliates reserve the right to enter into solicitation arrangements pursuant to which they compensate third parties for referrals that result in a potential investor becoming a limited partner in a Private Investment Fund. Any fees payable to such placement agents generally will be borne by the Advisers indirectly through an offset against the Management Fee under the Partnership Agreement, 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 Partnership(s).

CUSTODY

The Advisers generally expect that they will be deemed to have “custody” (within the meaning of Advisers Act Rule 206(4)-2 (the “**Custody Rule**”)) of funds or securities held in the name of one or more Partnerships, subject to certain exceptions set forth in the Custody Rule and related guidance, and intend to maintain such assets with U.S. Bank Institutional Trust and Custody, a qualified custodian, located at 60 Livingston Avenue, Saint Paul, MN 55107.

INVESTMENT DISCRETION

The Advisers have discretionary authority to manage investments on behalf of each applicable Partnership. As a general policy, the Advisers do not allow limited partners to place limitations on this authority, provided that the Partnership Agreement of a Partnership may impose certain restrictions on investing in certain types of securities. Pursuant to the terms of the Partnership Agreement, however, the Advisers have entered, and expect to enter, into Side Letters with certain limited partners whereby the terms applicable to such limited partner’s investment in the Partnership are altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. The Advisers assume this authority pursuant to the terms of (i) the Partnership Agreement, (ii) the investment management agreement between each Partnership, the applicable General Partner and the Management Company and (iii) powers of attorney executed by the limited partners of each Partnership.

VOTING CLIENT SECURITIES

The Advisers have adopted the Stone Arch Proxy Voting Policies and Procedures (the “**Proxy Policy**”) to address how they will vote proxies, as applicable, for the Partnerships’ portfolio investments. The majority of “proxies” received by the Advisers will be written shareholder consents (or similar instruments) for private companies, although the Advisers may also receive traditional proxies from public companies from time to time. The Proxy Policy seeks to ensure that the Advisers vote proxies (or similar instruments) in the best interest of the Partnerships, including where there may be material conflicts of interest in voting proxies. The Advisers generally believe their interests are aligned with those of the Partnerships’ investors through the principals’ beneficial ownership interests in the Partnerships and therefore will not

seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that the Advisers have the power to address the conflict using several alternatives, including by seeking the approval or concurrence of the Limited Partner Committee on the proposed proxy vote, or through other alternatives set forth in the Proxy Policy. The Advisers do not consider service on portfolio company boards by Stone Arch personnel or the Advisers' receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines followed by the Advisers when voting proxies on behalf of the Partnerships. Clients or investors that would like a copy of Stone Arch's complete Proxy Policy or information regarding how the Advisers voted proxies for particular portfolio companies may contact Stone Arch's Chief Compliance Officer at (612) 317-2980, and it will be provided at no charge.

FINANCIAL INFORMATION

The Management Company 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.